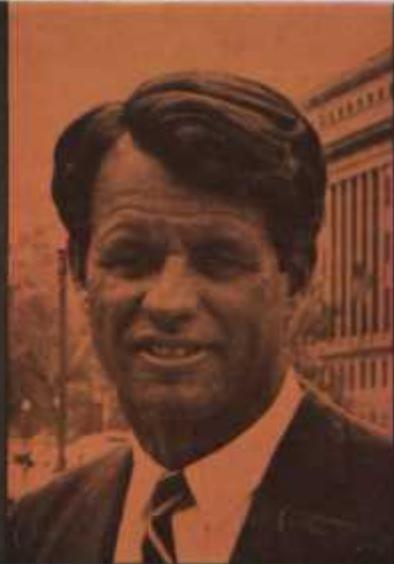


Nation's Business

A USEFUL LOOK AHEAD

JUNE 1967

**Robert Kennedy
on:**



**GOVERNMENT INJUSTICE
TO BUSINESS** **PAGE 70**

Indicates
What crime costs you
Business rebuilds the slums
How's your investor IQ?

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Nation's Business

June 1967 Vol. 55 No. 6

Published by the Chamber of Commerce of the United States
The national federation of organizations representing
4,750,000 companies and professional and business men
Washington, D.C.

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It's a little misleading itself—that new law that was passed to "protect" consumers (that's us) against misleading labels

Nation's Business is published monthly at 1615 H St. N.W., Washington, D.C. 20006. Subscription rates: United States and possessions \$19.75 for three years; other countries \$30 a year. Printed in U.S.A. Second class postage paid at Washington, D.C., and at additional mailing offices. © 1967 by Nation's Business—the Chamber of Commerce of the United States. All rights reserved. Nation's Business is available by subscription only. Postmaster: please send form 3579 to 1615 H Street, N.W., Washington, D.C. 20006.

Editorial Headquarters—1615 H Street N.W., Washington, D.C. 20006

Advertising Headquarters—711 Third Avenue, New York, N.Y. 10017

Circulation Headquarters—1615 H Street N.W., Washington, D.C. 20006



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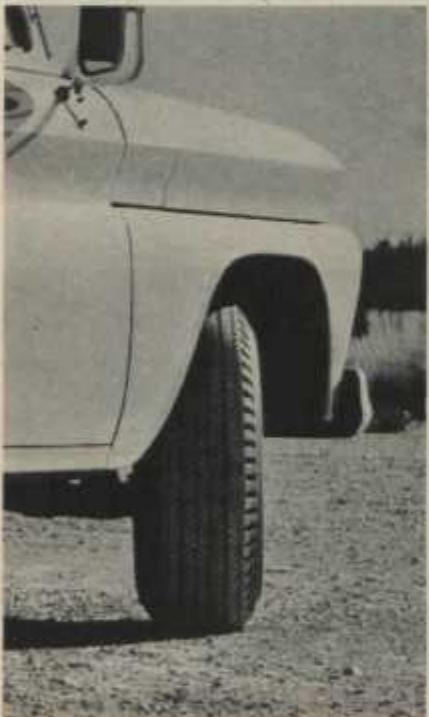
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WASHINGTON: A LOOK AHEAD

No wonder Presidents, like parents, turn gray.

As if LBJ didn't have enough to trouble him in Viet Nam, Big Labor and its strikes are now cause for hand wringing.

And the unions are practically like the Democratic Party's own offspring. When they should be a source of comfort to their President, they're as thoughtless and unruly as spoiled kids.

First it was trucking, television and radio, railroad and rubber unions. Now coming up are shutdown threats in construction, autos, electronics and farm machinery.

Adding to the exasperation will be local strikes by nurses, teachers, firemen, clerks, welfare workers, garbagemen and goodness knows who else.

So is a sound spanking called for? After all, you love your children, but we can't let them get away with murder. What would people think?

Even when the Administration does come up with plans to stop labor disputes, it only seems to anger labor more. The rail settlement plan isn't complete compulsory arbitration because there's a cutoff date for any ordered settle-

The President promised Congress long ago that he would offer emergency strike changes in Taft-Hartley or the Railway Labor Act. He had a task force take a look, but he never said what had been recommended.

Many ideas have been considered. One proposal is revised and revised with each change in behavior of the unions. The idea for an emergency strike law is toted around in the briefcase of a Labor Department official so he can work on it at home at night or even at lunchtime.

When people all over the country get irate enough about strikes against the public, the proposal supposedly will be hauled out and presented to Congress.

But what concerns LBJ most in the area of strike threats is steel.

Steel contracts don't expire until August of next year. This would seem to be almost out of worry range. But the timing is just what worries the President.

Prospect of one million steelworkers squaring off against 10 major steel companies smack in the middle of a Presidential election campaign is enough to add a whole handful of white hair to any incumbent's head.

Even Viet Nam isn't likely to be enough reason to give the Steelworkers pause. This is the same union that defied President Roosevelt in December, 1943, walking out for five days at a desperate point in World War II.

LBJ remembers well that the last steel strike lasted 116 days.

And in the 1965 negotiations he had to lock up both sides in a suite of executive offices to get results, which the rank and file steelworkers then rejected.

Congressional creep this session hasn't produced much legislation. But events have

PHOTO: MIRKLE PRESS



LBJ huddles with Secretary Wirtz (left) and Meany

ment. But it sure made George Meany see red.

White House reluctance to come up with a total solution to union strike muscle seems guided by a "this hurts me more than it does you" attitude.

WASHINGTON: A LOOK AHEAD

pointed up prospects of other significant changes.

Senate cloakroom talk is that Senate Whip Russell Long's "I won't quit" performance to save his income tax check-off method of financing Presidential elections has cost him his chances to become Democratic leader if Mike Mansfield of Montana steps down.

Long's parliamentary snare hung up restoration of business investment tax credit and the long Long debate stagnated legislation on other matters for more than a month.

As majority whip, Mansfield's chief assistant was out of step with the leader and annoyed many of his colleagues.

They also resented his cracks against the Senate Ethics Committee.

Top contender for Mansfield's leadership spot if it opens up now seems to be Edmund Muskie of Maine, chairman of the Senate Democratic Campaign Committee.

Good bet to replace Long if he should decide his dual role of whip and Finance Committee chairman is too much is Hawaii's personable Daniel K. Inouye, a Mansfield favorite.

On the other side of the aisle, illnesses of Minority Leader Dirksen of Illinois touch off musings as to a successor. Conservative Senators favor Roman Hruska of Nebraska over Minority Whip Thomas Kuchel of California, the liberals' choice.

Best bet for a compromise successor, should Dirksen retire: Kentucky's Thruston Morton. The former GOP national chairman is respected by conservatives, liberals and in betweens in Senate.

Business leaders—99 out of 100 anyway—think they should get involved in solving education, welfare, race relations, unemployment, crime, pollution and slum problems.

So several thousand of them voted in recent poll. Most also thought that their local chamber of commerce was the right vehicle for con-

certed business action on these problem areas.

Ninety per cent of the businessmen voting said there's a need to modernize local government.

Some 97 per cent believe improving community education, welfare and cultural facilities draws new business and industry.

A new economic council to guide Washington policies and decisions?

It's an idea that could gain support.

Former Commerce Secretary Jack Connor lays out the problem this way:

There's a "lack in government of a formal mechanism, operating on a continuing basis, which enables those in government who are in constant touch with business problems and the viewpoint of the private sector to participate fully in the determination of economic policy."

As Connor knows well, two informal groups now have most say in economic policy, giving LBJ advice.

One is the "Troika"—Treasury Secretary Fowler, Chairman Ackley of the Council of Economic Advisers and Director Schultze of Budget Bureau.

The other is called the "Quadriad." It comprises those three plus Chairman Martin of the Fed.

The Commerce Secretary gets in on the decision "only in a catch-as-catch-can basis" as Connor points out.

So, how about creating a National Economic Council, like the National Security Council, says Connor, now president of Allied Chemical Corp.

Such a new top level group would include other Cabinet members and have broad authority.

Another strong voice, Arthur Burns of respected National Bureau of Economic Research, also is calling for "an economic Cabinet" to coordinate Washington's sometimes contrary economic policies.

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The computers convert this record into useful sales information for Rich's: which styles, sizes, colors are selling most and least. Rich's can match its inventory to your own buying preferences, day by day. If your favorite department store always seems to have what you want, it probably has an NCR Total Retail System. And if it doesn't, it probably needs one.



THE NATIONAL CASH REGISTER CO., DAYTON 45409

Business opinion:

That letter to Betty Furness

To the Editor:

From the viewpoint of the small businessman, your "Open Letter to Betty Furness" [May] underemphasized the role that "union demands and government policies" play.

The cost and efficiency of labor is the biggest problem challenging the survival of this type of business.

Most of the general overhead expenses of the small businessman are readily controllable, or at the most have risen only moderately. The cost of his products, if he is a merchant, is also controllable in that he can shop his suppliers to secure the best buy.

However, the cost of his labor is not controllable. The local businessman has to compete for labor at the higher prices established by federal government policies—policies which are usually mimicked by state governments.

With the federal and state governments forcedly increasing the cost of his labor, the small businessman usually has no alternative but to raise prices substantially.

Sooner or later, with the emphasis on sooner not later, economic forces will cause him to close his doors, as his sales fail to keep abreast of his costs and he is left with little or no profit.

Look for a sharp increase in business failures of the under \$100,000 debt range as the full effect of higher federal minimum wages is felt.

NORMAN P. HOFFERT
Treasurer
Hoffert's Candies, Inc.
Prospect Park, Pa.

To the Editor:

Members of the pharmaceutical industry are extremely gratified at your initiative in preparing an "Open Letter to Betty Furness" [May].

The references to the pharmaceutical industry and drug prices are both sound and helpful.

C. JOSEPH STETLER
President
Pharmaceutical Manufacturers Association
Washington, D.C.

prompts the question: What wealth?

A government that has a debt of \$330 billion, which a watchdog Senator says exceeds all wealth of the nation, public, private, and industrial, is hardly to be spoken of as wealthy. I haven't looked up the word bankruptcy lately but there is some doubt about our Accounts Receivable.

LUTHER F. MEYER
Fort Wayne, Ind.

May wake them up

To the Editor:

I immensely enjoyed Peter Drucker's article, "How to Double Your Sales" [March].

It was a fine article and, hopefully, will awaken a few people to their growing problem.

JOHN P. CHANEY
President
X, Inc.
Dayton, Ohio

There's a difference

To the Editor:

In a recent editorial you said: "But let's open our eyes to the guiding tenets of our democracy, the provisions of our Constitution."

Our form of government is a republic and not a democracy.

A democracy refers to a form of government where you have absolute majority rule. In this form of government you have no guarantee of any rights.

Whereas a republican form of government provides for certain guaranteed rights, such as our Bill of Rights, which cannot be taken away from us by any legislation.

ROBERT JAGODZINSKI
Owens-Illinois Technical Center
Toledo, Ohio

Giving a second chance

To the Editor:

We in the Federal Prison Service appreciate your excellent article on our work release program. "The

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There's never been one boat that does all these things exceptionally well—until now!

If you like to fish, but don't like to abandon the wife and kids, the Sportsman is your kind of boat. It has more usable space than conventional boats 2 or 3 feet longer. It has comfortable bucket seats that unfold into sun lounges (if the fish aren't biting, just relax and enjoy it).

The floor is flat. There's a casting platform forward where the pointed bow would be if it had one. The split wind-

shield folds to provide easy access to the foredeck. You can beach the boat and step ashore without getting your feet wet. Or you can button it up with its tonneau cover to make it look like a runabout.

The Sportsman has Evinrude's famous wide-track Gull Wing hull. You ride on a cushion of spray.

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Business opinion:

"Employees Who Got a Second Chance" [April].

The comments you obtained from employers who are participating in work release will have a most helpful effect.

MYRL E. ALEXANDER
Director, Bureau of Prisons
U. S. Department of Justice
Washington, D. C.

Where the action is

To the Editor:

In "Executive Trends" [March] we note there is an exodus of top and middle managers from the giants to smaller firms because managers want more action.

If they don't take care they may get down far enough to find out what really makes the wheels go around—where a typical executive day consists of checking the mail, scanning the orders, bills, quotes, more bills.

Meanwhile a dozen phone calls have come in:

"Where's my order?"

"I need a job done yesterday."

"I put 25 blueprints in the mail three days ago. Where's my quote?"

And so on.

About 3:30 p.m. a customer—a giant, of course—calls. His line is going down in 48 hours due to an IBM inventory showing 358,000 widgets on hand, none of which can be found.

"So I know I can depend on you, Fred, to get us out of a hole with 25,000 right away."

Now things really begin to jump. No stock on hand! Your best supplier says three days delivery. Your sales manager (the only station wagon in the parking lot) hightails it over there and brings back the goods for the night shift.

The plant superintendent stays on the job all night, and next morning the sales manager hauls the freight to the airport. Another battle is won.

Two weeks later you get a formal letter stating your shipment is being held in inspection because you forgot to send five notarized certificates of conformance.

The letter is signed by the "coordinator of Integrating Incoming Material for Compatibility with Quality Assurance Program."

Welcome to where the action is, men!

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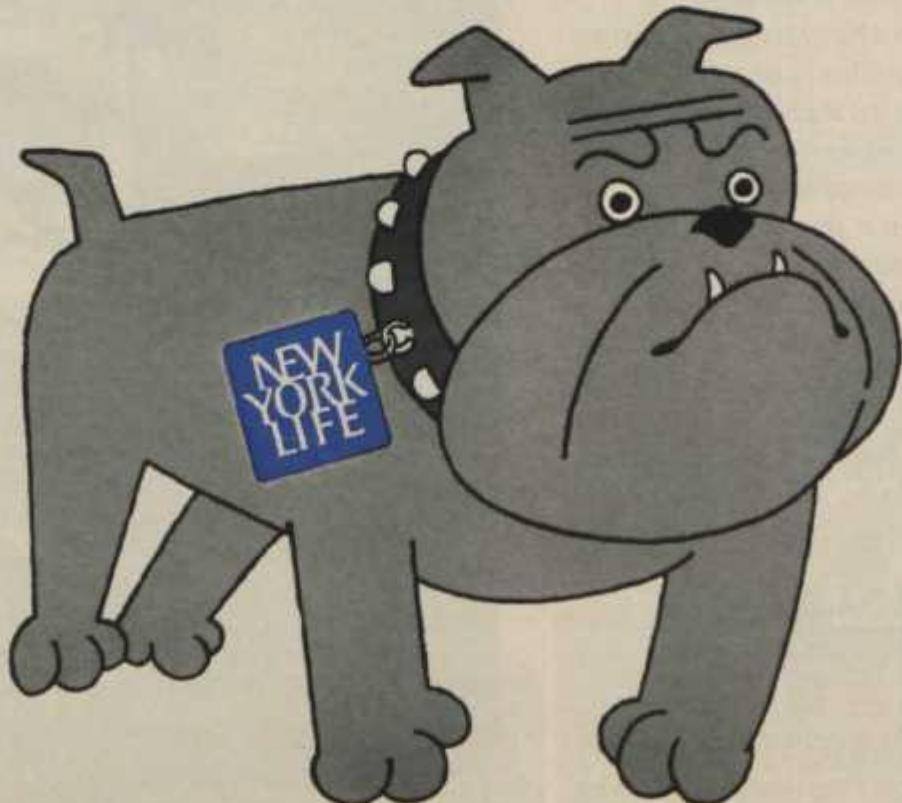
Through a plan that guarantees cash so your debts and estate taxes can be paid without your family's inheritance being eaten away.

Talk it over with your New York Life Agent. Through training and experience, he's alert to troublesome problems. Knows what can be done about them. Along with your lawyer, trust officer and accountant, he's a vital member of your estate planning team.

Behind him—one of the world's largest corporations. And, at 122 years old (this year), one of the strongest financially.

So make it a point to call your New York Life Agent. He can be your estate's best friend.

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load it,
dig it,
grade it,
build it up
or tear
it down**

A generation ago you couldn't find a tractor except on farms and big earthmoving projects.

Today you see them working at junk yards and zoos and service stations and drive-in movies. They're lowered into the holds of ships to unload sugar.

And of course they work at better known jobs such as excavation, grading, construction, landscaping, pulp logging and turf maintenance.

You'll find them any place a tractor can do a job faster and cheaper than hand labor.

And if you get the feeling you see more International tractors than any other make, it figures.

International offers 24 different tractors ranging from 7 to 135 hp. International offers 13 different dirt moving attachments and 12 fork lifts and 6 loaders and 3 back-hoes and every kind of mower from flail to cutterbar. Plus snow removal equipment. Yes, and other attachments for the growing list of specialized job needs.

Check your needs with your IH dealer. Chances are he'll have a rig to fit your special needs.

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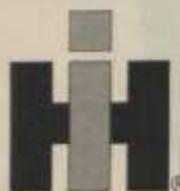
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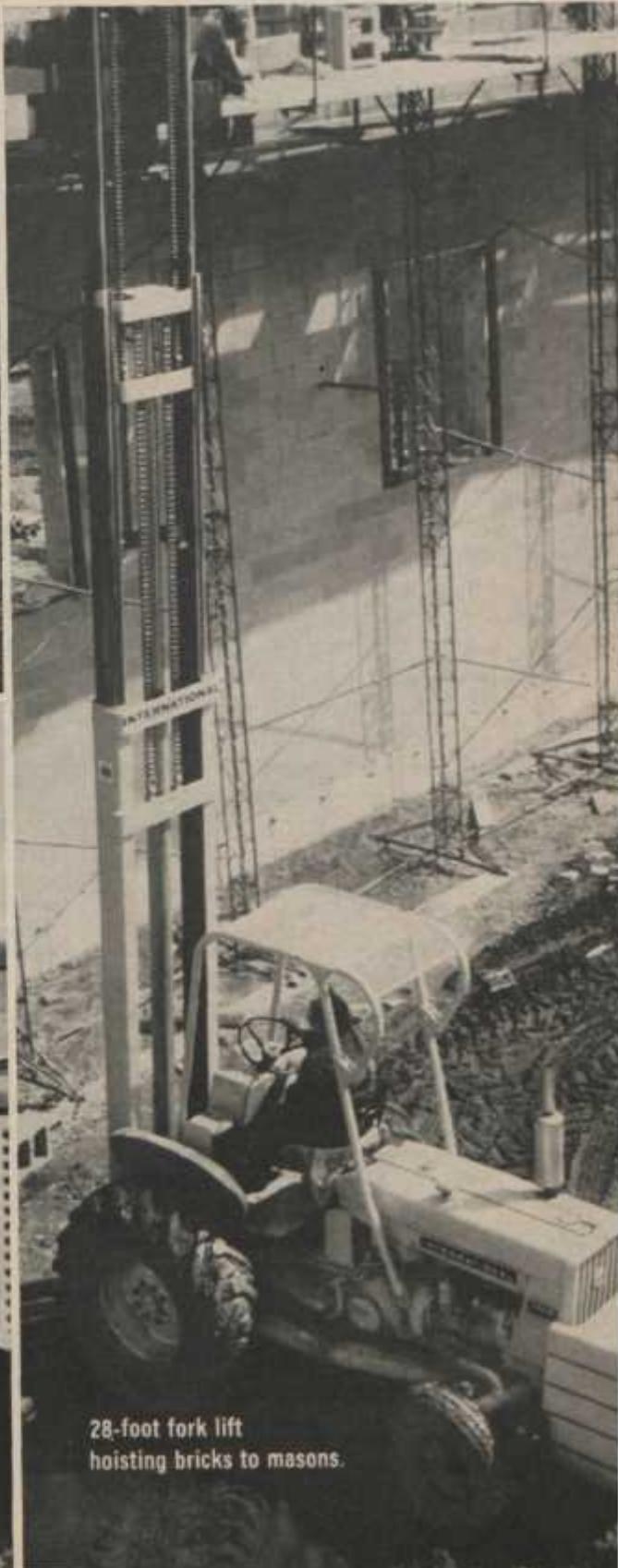


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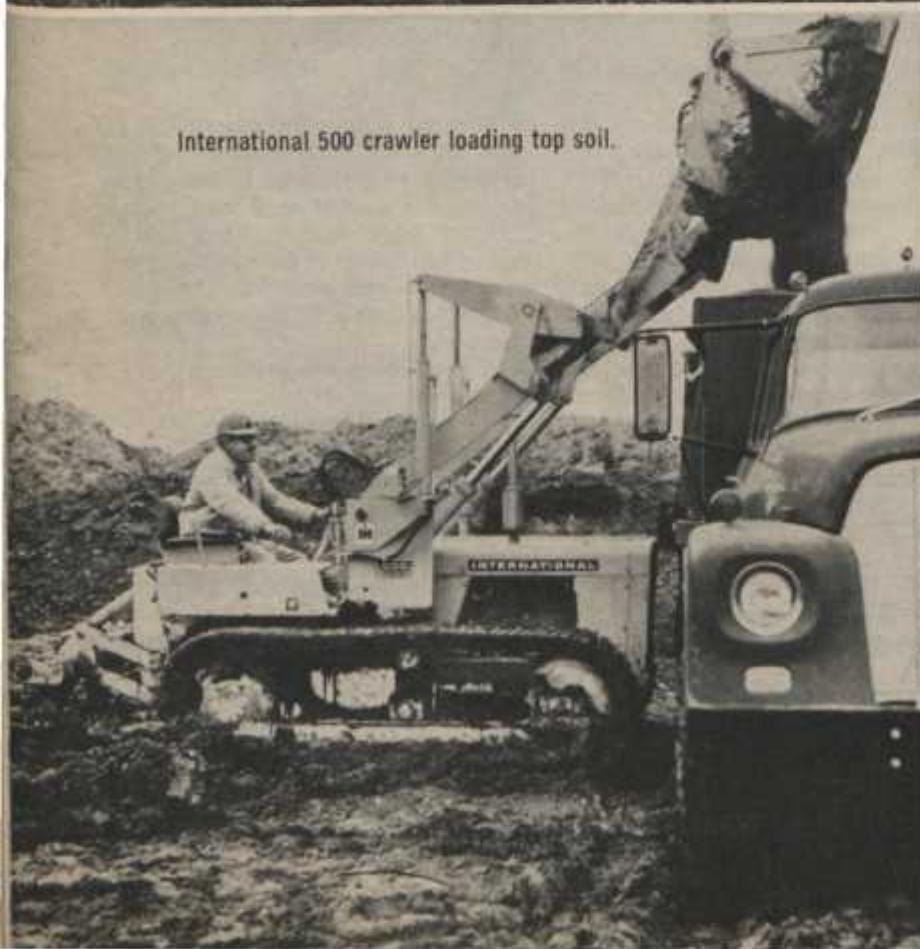
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Large companies make 2½ times more profit per sales dollar than medium size companies.



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Executive Trends



- Six ways to rate your skills
- Top executives' school ties
- Sizing up expense accounts

Saving money—or making it?

Most firms put economy first, Harry Conn, president, W. A. Whitney Mfg. Co., Rockford, Ill., says.

And that's a mistake, he adds, when weighing the purchase of new machinery. "You can't save money, until you make it," he says, citing this example:

If a \$60,000 press saves only \$6,000 a year, it won't pay for itself in 10 years time—figuring in taxes, interest, insurance and maintenance.

"But if that press enables you to make, sell and deliver 1,000 more units a year, that cost \$200 but sell for \$390, you're making an extra \$190,000—instead of saving \$6,000."

How should you weigh purchase of newer, more efficient equipment?

By looking not merely at the pennies you may save in operating costs, but at increased capacity and revenue, Mr. Conn says.

"Every unit sold above the break-even point increases your percentage of profit," the fabricating machine maker notes.

"It makes the savings per unit figure insignificant—unless cost-cutting is a must to fight off competitors."

Had a busy day—or week?

No doubt, every day is busy.

Most businessmen toil 53 to 70 hours weekly, sometimes 80.

Trouble is, not enough hours go into planning. An eye-opening survey of 700 execs shows they spent

their time—exclusive of traveling—like this:

- Talking (oral communication) 80 per cent.
- Reading, 13 per cent.
- Writing, four per cent.
- Planning or creative work, three per cent.

Paul Rice, executive vice president, Daniel D. Howard Associates, Inc., Chicago management consultants, pinpoints some ways execs let minutes slip through their fingers:

- Allow too many repetitive activities to creep into their daily routine.
- Fall into doing nonexecutive chores.
- Just plain talk too much.

What's the cure? He prescribes applying performance standards to day-to-day activities. Every executive, he says, should measure himself or be measured against these criteria. How well he:

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EXECUTIVE TRENDS

continued

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Among these alumni are presidents of General Motors, Frederic G. Donner, University of Michigan; Ford Motor, Arjay R. Miller, University of California; Standard Oil (N.J.), J. K. Jamieson, M.I.T.; Chrysler, Lynn A. Townsend, University of Michigan; and General Electric Board Chairman Gerald L. Phillippe, University of Nebraska.

Massachusetts Institute of Technology (yes, it's a land-grant college) boasts of 47 alumni in the blue-chip list the association compiled. University of Michigan's next, with 46. Then Cornell, 37; University of Illinois, 35; Universities of California and Minnesota, 25 each; and University of Wisconsin, 23.

The association's 97 members represent less than five per cent of nation's 2,200 college and universities.

Who's happiest at his work?

In order—women employees; older men; those who've been working for you longest.

That's what Personnel Psychology Center of New York, industrial psychologists, found in a survey of 10,000 retail department store employees. Those on the West Coast scored highest, South Atlantic employees lowest.

Some firms find attitude surveys help spot potential trouble areas.

How to gauge the expense account

"Holy smoke—12 bucks for dinner!"

"No wonder they call it a swindle sheet. Joe must be paying off his mortgage on the expense account."

But how can you tell if your salesmen's travel expenses are out of line, or not? These average costs, compiled from 606 firms surveyed by The Dartnell Corp., business research publishers, Chicago, Ill., may be helpful:

Lodging:	\$10.15 a day
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Dinner:	\$ 4.35

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There are Broadway shows and opera in the new auditorium-theater. Civic symphony and ballet. Three colleges, right in town. Gulf beaches, outdoor recreation the year 'round.

That brings up the mild climate. It was a warm, sunny January day when Mrs. Langerhans and the children, Gilbert and Sarah (left) were photographed at nearby Bellingrath Gardens.

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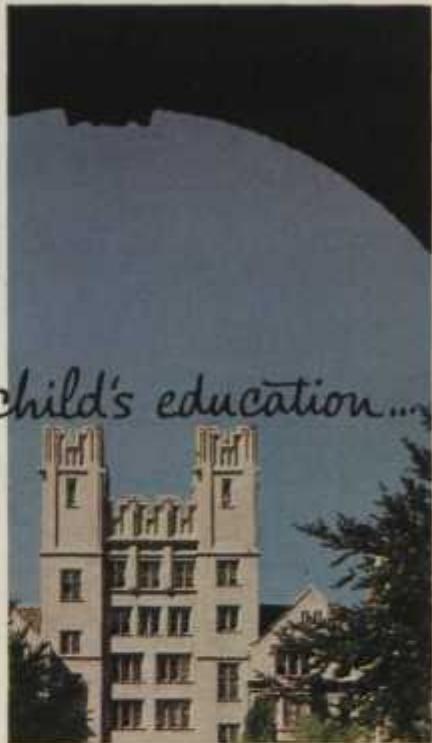
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EXECUTIVE TRENDS

continued

cial rates. This \$17.05 daily total is about 47 per cent higher than in 1962.

Mileage allowance is up, too. Now six to 15 cents a mile vs. 4.5 to 12 cents five years ago.

Another trend—more than 70 per cent of the firms report they now pay all “reasonable” expenses. In 1962, only 60 per cent said this. The others imposed set allowances.

Who sets policy on expense accounts? In four firms out of 10, the president or general manager; three out of 10, the sales executive; in two out of 10, the marketing exec; one out of 10, a committee.

Franchising: a growing trend

Your auto dealer sells cars. And the soft-drink bottler sells pop. But they have something in common.

Chances are, they're both franchise-holders. More than 150,000 are, it's estimated.

Experts say if you go in business on your own, the odds are two to one you'll fail. But if you franchise with a reputable firm, the odds are nine in 10 you won't.

The 1967 Directory of Franchising Organizations (Pilot Books, New York City) lists more than 400 firms that offer franchises.

The list runs from Accounting Corporation of America, accounting and tax service specialists, to TV's Hullabaloo Scene, nonalcoholic teen-age nightclub operators.

Franchising has already spun off satellite businesses.

Some firms, like Marketing Associates International, Inc., will handle the entire sales and marketing for you, if your firm has a product or service to franchise.

Expo 67 travel tip

Plan to attend Canada's centennial exposition?

You can bring back some souvenirs duty free. The amount depends—among other things—on how long you stay north of the border.

You can get details from U. S. Bureau of Customs' special flyer, "Customs Tips for Vacationers Visiting Canada's Expo 67," and from pamphlet, "Customs Hints for Returning U. S. Residents." Just write Office of Information, Bureau of Customs, Washington, D. C. 20226. Both are free.

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There's not much to laugh about

BY PETER LISAGOR

The Johnson Administration is not generally noted for its humor, especially the self-deprecating kind that helps to ease tensions and to make the anxieties of a big, burdensome government slightly more bearable.

Yet President Johnson and his earnest lieutenants have managed in the past to survive periodic attacks of the blues with that enforced optimism required of professional politicians. But of late they've had trouble keeping their chins up. Everything seems out of sorts, and even the occasional minor success at home and abroad has a hollow, temporary quality about it.

The bleak outlook in Viet Nam is, of course, the primary source of gloom. It is so persistent, deep and pervasive that it has dampened the good cheer of Vice President Hubert H. Humphrey, an irrepressible exception to the general lack of gaiety among the Great Society progenitors. When Humphrey isn't bubbling with enthusiasm, the Administration is indeed dragging its anchor.

• • •

However, Viet Nam cannot be solely blamed for the current chronic seizure of pessimism. There is sluggish activity across the whole front of domestic and foreign problems, and the loss of momentum is striking. Congress has grown more querulous, labor disputes have hardened, student disaffection has deepened, racial difficulties have sharpened. On the surface, at least, the issues appear more intractable, harder to compose.

In good times, the tolerance for amiable rogues in Washington is high, but the cases of Rep. Adam Clayton Powell and Sen. Thomas Dodd have plunged the town into an ethical quandary. Both houses feel their honor and integrity have been impugned, and the outburst of righteousness on Capitol Hill has further disturbed Congressional equanimity. There is a random air about the legislative program. The

Mr. Lisagor is the White House correspondent for The Chicago Daily News.

Democratic leadership, which usually succeeds in plastering over its differences on all but civil rights legislation, recently squabbled openly over the scheme to finance Presidential campaigns through a tax checkoff.

The only novel development in recent weeks has been Postmaster General Lawrence F. O'Brien's proposal to put himself out of a job by abolishing the post office in its present form and turning the mail delivery over to a corporation responsible directly to Congress. To modernize the present system will



One of the few creative ideas in Washington now is Tom Sawyer-type project at Kennedy arts center site.

cost \$5 billion, O'Brien estimates. Others have figured out that, with the increase in population and attendant burdens on the post office, every man, woman and child in the country will be engaged in delivering the mail by the year 2000.

One of the few creative ideas developed here recently came from a nongovernment source. A fellow dreamed up a Tom Sawyer scheme for the wooden fence built around the construction site for the John F. Kennedy Center for the Performing Arts. People have been encouraged to paint pictures on the fence, and while no Picassos have yet emerged from the budding muralists, the art isn't bad and repre-

TRENDS: WASHINGTON MOOD

sents, by and large, the only cheerful addition to the city in months.

The enveloping gloom hasn't appeared suddenly, like an unexpected fog. It has been drifting in by almost predictable stages, while Mr. Johnson appears to have had his back turned. This is not hard to explain, for the President is almost obsessed with Viet Nam and its effect upon U. S. relations with the rest of the world. He hasn't shown the consuming interest in domestic problems that marked his earlier years in the White House, before the war widened and American casualties began to mount significantly.

After his trip to Asia last fall and his more recent trip to Guam in February to confer with his diplomatic and military representatives and with South Viet Nam's leaders, he felt constrained to turn to Latin America and Europe, both of which areas have smarted under a sense of neglect. He sent Humphrey off to Western European capitals only to discover that anti-Viet Nam demonstrations are as popular with some Europeans as with some Americans. The hostile displays against Humphrey's visit, however, were minor, despite the headlines and pictures that made them appear to be the major consequences of the Vice President's tour. In fact, Humphrey received a cordial reception in his public appearances, in the main, and was warmly and respectfully entertained by Allied leaders.

• • •

Still, Humphrey's trip revealed that time was not ripe for LBJ to attempt a European swing of his own, which he had hoped to make by late spring or early summer. Fortunately, the funeral of former Chancellor Konrad Adenauer enabled the President to fly to Germany, where he at least had an opportunity to shake hands with French President Charles de Gaulle, a stern antagonist of U. S. policy toward Europe, and to reassure the new German leaders. The West Germans have been worried for some time that Washington, in its anxiety to improve relations with the Russians, might make a deal to Bonn's disadvantage. They still have a nostalgia for the days when Secretary of State John Foster Dulles wouldn't make a move without consulting Adenauer, and their sense of estrangement from the Johnson Administration was not altogether allayed by the President's conversations with the coalition head, Chancellor Kurt Georg Kiesinger.

The President himself, most observers agree, lacks the empathy for Europeans that he has for Asians and Latin Americans. Some thought he seemed out of place among the European heads of government assembled for Adenauer's funeral. It has been remarked that LBJ's affinity for the poorer nations of the world derives from his experience as a Texas school teacher and struggling politician and from a Populist motivation. He is said to find the Europeans as haughty and reserved about him as his Ivy League detractors, and he is inclined to respond in kind.

The President's trip to the Latin American summit

conference in Uruguay was not exactly what he planned originally. It had been hoped that he might not only meet with other hemispheric leaders but also make a triumphal tour of several Latin capitals. The latter wasn't feasible or advisable (possible anti-Viet Nam feeling among the Latin masses was undoubtedly a factor), so he went to a summit so isolated by security precautions at the Montevideo airport and at the Punta del Este resort site that he scarcely saw a corporal's guard of ordinary folks. The President had to be disappointed, for he loves nothing more than a parade through cheering crowds in foreign cities.

The formal results of the Latin summit were pre-packaged by the diplomatic technicians and foreign ministers. Indeed, the final Declaration of the Americas could have been mailed to each President for his signature and saved the expense of the journey. But the conference had considerable value nonetheless; it gave the U. S. President and his hemispheric counterparts a chance for face-to-face meetings and private talks, and the results, on the whole, were salutary. The preconceptions of the Latin leaders oddly pictured Mr. Johnson as a domineering, impatient, cranky man, lacking in the *simpatico* quality of a John F. Kennedy. By patiently hearing them out and engaging in genial, homespun exchanges filled with Texas lore, Mr. Johnson was a pleasant surprise to them and won points, often grudgingly given, from even those most prepared to find him difficult.

For his part, the American leader learned at first-hand that some Latin American countries are as different as Mississippi is from New York, that the continent is not a homogenous collection of states whose problems are the same, and that Paraguay's Alfredo Stroessner has about as much in common with Chile's Eduardo Frei as Alabama's George Wallace has with Michigan's George Romney.

• • •

But for all his international fence-mending, the President has done little to head off the converging problems at home. They weren't suspended while he was away. If he has reopened a dialogue with the Latin Americans and the West Germans, he has found himself with a communications gap in this country. Rumbles of probable trouble in the nation's big cities this summer have been steady and ominous. Signals have gone up all over the lot warning of labor-management eruptions. The dissent over Viet Nam has gained in intensity what it may lack in volume. The farmers are grumbling about prices, the anti-poverty warriors are dispirited. The war costs mount, and so does the federal deficit.

Plainly, the President has his work cut out for him. He is widely respected as a resilient and resourceful man, but he has, in the judgment of many, allowed himself to lose touch with the people. He could do worse than start barnstorming around the U. S. He's going to need all his diplomatic and persuasive skills to bring Congress into line if he hopes to salvage much of his domestic legislative program. A little humor would be helpful, it's true, but the hard truth is that there's not much to laugh about after a winter of discontent and on the edge of a summer of disquiet.



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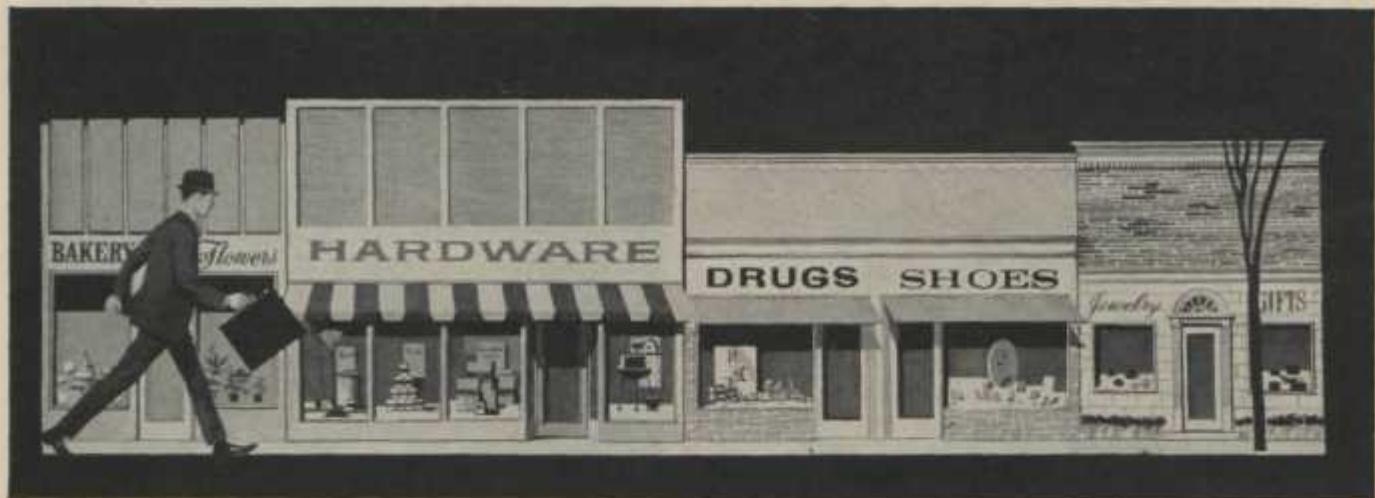
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What's wrong with the way we raise revenues

BY FELIX MORLEY

When the fiscal year closes, the end of this month, the United States will have rolled up the biggest annual deficit in its history as a nation. This comes on top of a gross national debt which was \$320 billion when the fiscal year began and which is continuously breaking through the ever loftier "ceiling" ineffectively applied by Congress.

A national debt that now works out at about \$1,700 for every living American is certainly no source of pride. But as a drag on the economy, and as a threat to our form of government, the burden is perhaps less disturbing than the fiscal difficulties of the States, counties and municipalities. Local government cannot so easily employ the device of deficit financing, postponing the reckoning for posterity as is the practice of spendthrift Uncle Sam.

In the past twenty years the local tax take, per \$1,000 of personal income, has almost doubled. And still heavier bills will go out from the various treasuries this year, even if the federal income tax is not stepped up. At all the State Legislatures in session this Spring the effort to bring revenue abreast of expenditure has been a colossal headache. The same is true for most county, and nearly all city, governments.

• • •

The difference in the money-raising problem, as between the national and local governments, roots in what is called the "income elasticity" of various forms of taxation. Yield from the income tax is the most buoyant of all. When net income rises, for an individual or for a business, the tax take increases automatically, in geometric progression with a sliding scale tax rate.

In the case of other taxes elasticity is less pronounced, aside from the time lag when legislative action is necessary to increase them. Sales taxes, whether general or selective, do not bring in more revenue proportionate to greater income. People tend to drive less rather than more if the gasoline tax goes up from four to eight cents a gallon, even in cases where income has simultaneously doubled.

Dr. Morley is a Pulitzer Prize-winning former newspaper editor and college president.

Property taxes show a similarly regressive pattern. Their yield increases only as the assessment or the rate is raised and to a rise in either there is always strong and well-organized local resistance. By contrast, people unconsciously organize to push up the income tax yield, through their collective demands for higher wages.

For the Federal Government the highly elastic income tax is the principal source of revenue. Of the 50 States practically one third (17) do not employ this form of tax. For all the State and local governments the relatively inelastic sales and property taxes are the chief reliance for running expenses. To avoid scaling these up continuously, all the localities with power to do so are resorting to borrowing, with the result that in the past 15 years the debts of the States have nearly quadrupled.

As somewhat exaggerated by Dr. Walter Heller, former chairman of the Council of Economic Advisers: "The essence of the problem is a fiscal mismatch: The supply of readily available federal revenue is rising faster than the demands on the federal purse, but the State-local situation is reversed—expenditure demands are rising faster than the readily available revenue supply."

• • •

The increasing difficulty of raising money for local expenses coincides with unprecedented pressures for greater local expenditure. Many factors combine to account for this. Demands for educational expansion and equipment are unending. Racial disturbances have stepped up municipal budgets both for welfare and for police and fire protection. Urban renewal and highway improvement are very costly. State reapportionment has cut down the representation of economy-minded rural legislators, increased that of urban spokesmen willing to vote the lavish spending claims of their constituents.

Among these outlays educational costs are dominant. They constitute the heaviest charge in every municipal and county budget and for 20 years have been rising annually at a rate of at least 10 per cent, much faster than the revenue of most communities. On a national breakdown localities now allocate to

TRENDS: STATE OF THE NATION

education almost 50 cents of every dollar spent, with the States contributing nearly 40 cents per dollar for that one purpose. By contrast federal spending for education, while climbing rapidly, is still only about three cents per dollar of the central government's expenditure.

The result of all these rising financial pressures is to bring the localities to Washington for assistance which proponents of "The Great Society" are only too willing to provide, on certain terms. Federal grants now provide 17 per cent of all State-local revenues and the proportion is steadily rising. In part that is because the easiest way to empty the taxpayers' pockets is by the efficient collection method of the Internal Revenue Service.

The drive for grants-in-aid, however, has other force behind it. What is caustically known as the "Triple Alliance" is now functioning smoothly in behalf of all sorts of federal largesse. It is composed of (1) nationally organized pressure groups; (2) the sympathetic urban members of the appropriate Congressional Committees; (3) the administrative agency that expects to direct the enlarged federal program.

In the third branch of this Triple Alliance the far-flung and deep-rooted Department of Health, Education and Welfare is outstanding, though other agencies are coming up to rival HEW. And the first branch of the alliance is growing much more powerful. Pressure groups are no longer limited to non-governmental organizations, such as the National Education Association in that field. At least equally potent now, as suitors for federal grants, are agencies of local government, such as the U. S. Conference of Mayors or the American Association of School Administrators. Several States and cities, and even a number of big universities, now maintain full-time lobbyists in Washington.

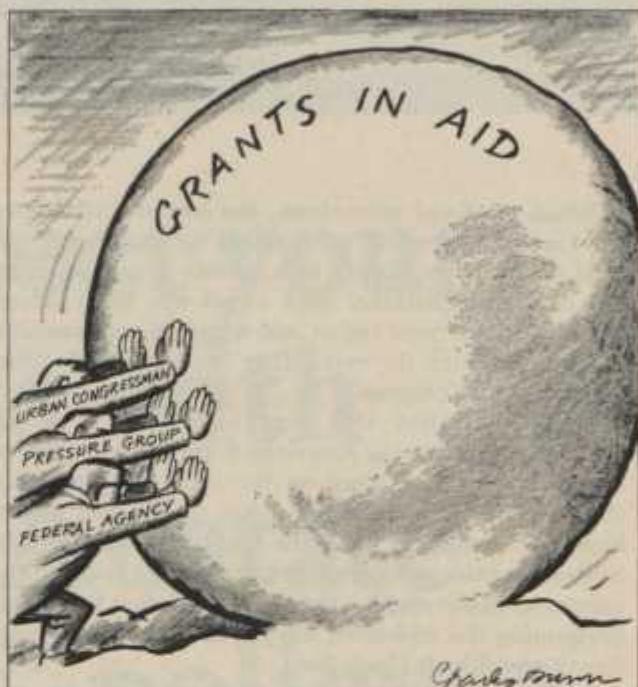
On balance, the rapid proliferation of federal grants is doing little or nothing to ease the fiscal problems of local government. When the grant is on a matching basis, the community assisted must first accept controls and then raise funds for its share of the expense. One improvement leads to another, quickly accepted on the specious argument that Washington will pay most of the bill. This rapid spread of supplementary projects does much to explain why educational costs have mounted so rapidly.

• • •

There is growing awareness of the contrast between the sharp fiscal difficulties of local governments and the seeming ease with which Washington can raise funds for extravagances of every kind. It has led to a number of recent studies forecasting the two situations if present trends continue. An examination by the highly reputable Tax Foundation is fairly optimistic about the financial future of local governments. "Under the conditions assumed, aggregate general revenues will grow somewhat more rapidly than spending in the decade ahead, without an increase in overall [local] tax rates."

Skepticism is reasonable in regard to some of these assumptions. One of them is that property taxes will rise "in step with changes in market values." If so, the real estate market will certainly be pinched. Another assumption is that federal grants will steadily increase while spending rates on local services, especially education, will slacken. In effect this says that taxpayers are better organized than teachers, which is doubtful.

But this forecast, and many much less cheerful as to the future of local government, agree on one fundamental. Federal aid, whether for schools, highways, slum clearance, poor relief, job training or what not,



Even the snowballing grants-in-aid drive, pushed by a "triple alliance," hasn't eased local fiscal problems.

must be placed on a more rational and less hodge-podge basis than has evolved to date.

At one pole of the argument are those who would place all "Great Society" functions in the hands of the national government, with both the controls and the financing handled by Washington. This would put an end to the federal republic as originally conceived and there are some who say we need a new Constitution to recognize the triumph of centralized government.

At the other extreme are those who would take back from Washington all of its acquired authority in matters, like education, which originally were wholly local responsibilities. This, it is said, could lower the federal income tax to an extent permitting the States to utilize this efficient form of levy much more extensively.

In between are many proposals, with such pleasant labels as "creative federalism," which would either moderate or extend the leverage of the central government without destroying that State autonomy which alone justifies the name of federalism. Somewhere in this middle area at least temporary solution will doubtless be found. It is less likely to be based on political theory than on the half-forgotten adage that the power to tax is also the power to destroy.

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Net Earnings (thousands)	11,955	11,053	9,675	7,347	7,497
Net Earnings					
As a Percentage of Net Sales	7.73%	7.56%	6.99%	6.33%	6.40%
Net Earnings					
Per Common Share	\$2.28	\$2.07	\$1.79	\$1.31	\$1.16
Dividends Paid					
Per Common Share	\$1.00	\$.80	\$.60	\$.50	\$.50
Depreciation, Cost Depletion and Amortization					
Per Common Share	\$2.07	\$1.90	\$1.88	\$1.73	\$1.67
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Per Share at December 31	\$14.94	\$13.65	\$12.50	\$11.32	\$10.64

From the Annual Report to the Shareholders:

"Sales, earnings, and earnings per common share rose to record highs in 1966, making it the best year Vulcan Materials Company has ever had. It was the sixth consecutive year of increased earnings per common share.

"The company's 1966 results were also at all-time high levels when measured by net earnings as a percentage of sales and by the return on common shareholders' equity. The book value per common share has increased every year since the company's formation in 1956

and in 1966 the increase was almost 10%.

"Capital expenditures amounted to almost fifteen million dollars, or about one-half million more than was spent on the 1965 capital program. The 1967 and 1968 capital programs, as presently projected, will require even larger expenditures. Additionally, the company has announced plans to construct a major new chemical complex on the Mississippi River, near Geismar, Louisiana. This project is the first step of the company's long-range program to materially increase its chemicals business, both in

sales and profits, and in its proportion of Vulcan's total business.

"Vulcan's 1967 sales and earnings should approximate the record results of 1966, and we expect in the coming year to improve upon the records attained in 1966, if business conditions prove to be as good as many observers presently anticipate." If you would like a copy of Vulcan Materials Company's



Annual Report for 1966, please write to the Secretary, P. O. Box 7497, Birmingham, Alabama 35223.

Vulcan Materials Company

ONE OFFICE PARK CIRCLE, BIRMINGHAM, ALABAMA 35223



How ethical should Congress be?

BY ALDEN H. SYPHER

To describe the United States Congress as a "rotten bunch of bums"—an expression used by one member to describe the current American assessment—is an obvious exaggeration.

How much of an exaggeration depends almost entirely on your own interpretation of the terms. Words mean different things to different people. In defense of Congress, it should be pointed out that while "rotten bums" may be flattery to a few members, it borders on libel to many.

Here is how Webster's Dictionary defines these words:

rot'ten 1. Having rotted; putrid; hence, fetid. 2. Unsound, as if rotted; not firm. 3. Corrupt, esp. open to bribery.

bum 1. To lead an idle, dissolute life; also, to sponge. 2. To obtain by sponging. 3. A spree; also a drunken loafer.

It may be assumed that Noah Webster defined those words as favorably as possible. While Noah was producing his book, Daniel, no direct kin but of the same family name, was putting the arm on banks for campaign and living expenses while serving in the Senate.

• • •

Until recently Capitol-touring school children viewing his picture among those of the five greatest Senators, hanging just outside the Senate chamber, have tended to assume his memory was being honored primarily for his statesmanship.

Now they are learning more about the double standard under which Congress views its public trust.

One set of moral and ethical standards is on quite a high level. One who follows it in spirit as well as letter is beyond serious reproach. One who does not may go to jail, or at least pay a stiff fine. That is the set enacted into law by Congress to apply to outsiders.

The set that Congress applies to itself is not nearly

Mr. Sypher, a lifelong journalist, is the former editor and publisher of NATION'S BUSINESS.

so clear. For example, last month four men, not members of Congress, faced a Federal Court judge in Winston-Salem, North Carolina, charged with violating a law prohibiting giving or receiving gifts among holders of government contracts.

Two were former buyers for Westinghouse Electric Co. Two were suppliers. Like Congressmen and favor seekers, one side was in position to grant, the other to give. This is not unlike the relationship of Congressmen who hold \$100-(or more)-a-plate dinners, and those who attend with the hope, if not confidence, that their money will buy more than only fairly good food.

The law is clear as it applies to the outs. All four men who faced the federal judge in North Carolina were found guilty. Each was fined \$2,500. In addition one was given a jail sentence of six months, which was suspended, and put on probation for a year.

• • •

The regularity with which laws such as this one are applied indicates their need. It suggests also an equal need that similar laws be applied to the ins.

The vastness of the difference in standards was highlighted by Sen. Eugene McCarthy of Minnesota when he spoke in opposition to having the Senate judge the activities of Sen. Thomas J. Dodd of Connecticut, accused, among other things, of converting campaign funds running into six figures to personal use.

"The simple fact is that the standards have never been defined," said Sen. McCarthy.

Honesty is not difficult to define. Perhaps Sen. McCarthy needs a dictionary.

The depth of the difference in standards for the ins, compared with the outs, is illustrated in a quip by Sen. Stephen M. Young, a merry old gentleman from Ohio whose honesty is as unquestioned as his wit is sharp. He said he had placed a \$5 maximum value on acceptable gifts, and added: "I declare every bottle of bourbon worth \$4.99."

Sen. Young was a member of the Congress that enacted the law under which men in North Carolina,

TRENDS: RIGHT OR WRONG

and other places, were fined or jailed for exchanging gifts.

It is obvious that members of Congress believe employees of government contractors may do more harm to the United States than may be done by themselves, although it is difficult to follow their reasoning.



Will school children who tour our national Capitol find that Congress operates under a double standard?

Congressmen like to think of themselves as members of a private club with extraordinary privileges. If they're reading their mail they're learning that most Americans view violation of a public trust as far more serious a departure from acceptable conduct than breaking a public law.

Measured by the dictionary definition, very few Congressmen are rotten. Not many are bums, if you are charitable enough to overlook definition No. 2, which does catch some.

A great many are outstandingly capable, scrupulously honest men. But there's little charity in the bum-by-association assessment that spreads today across the nation like an old-fashioned prairie fire.

The good are being classed with the bad, and the prestige Congress must have to be effective is being replaced in the minds of many people by contempt.

It will be a mistake for Congress to come up with another code of conduct to be enforced by another committee. Already men are at work on righteous-sounding language that will do nothing to interfere with the irresponsibility enjoyed by so many.

It is not the Powells, the Dodds, or the Bakers that worry the thoughtful American. It is the reluctance of the legislative houses to come up with measures that squarely meet the need to force responsibility and to provide for strong penalties for the violation of the public trust.

The ancient saw that the constituency will turn out a rascal has been disproved completely many times.

Voters might retire bums if they were disclosed as such. But Congress has been extremely careful to

keep all its cats well hidden in the bag. Generally someone else has to open it.

The Rev. Powell got into difficulties not through Congressional action, but because he was convicted in a New York State Court for libel. Public pressure brought action later in Washington.

Sen. Dodd's troubles began with disclosures in a newspaper column.

Bobby Baker got into his present plight through differences with business associates, not through the initiative of the Senate.

American business has set a pattern Congress might well follow. Many companies require signed statements from employees in positions of influence disclosing any interest they have that might conflict with those of their companies.

International Harvester Co., for example, requires its managers, from the chief executive through foremen, to sign such a statement annually. The requirement was fixed by the board of directors.

Each autumn the company sends 40,000 suppliers a letter emphasizing a policy concerning gifts to International Harvester people.

• • •

"Probably we can't prevent a necktie from changing hands," an executive of the company said recently, "but there are no TV sets being delivered to our buyers."

It can't be said about Washington, as any newspaper reader knows.

A practical and workable suggestion to keep (or make) Senators honest comes from Sen. Thruston B. Morton of Kentucky. All members, he said, should be required to publish an annual statement of their financial affairs, and to make public their income tax returns.

Sen. Morton's suggestion should be applied to both houses, and to staff members.

There's great opposition to financial disclosure in both houses. How can an honest man oppose it? Usually the grounds of opposition are given as the right to privacy.

But what right to financial privacy has a man or woman who has asked for, and usually worked hard to get, a position of public trust?

Men who legislate rules and regulations that govern the lives of other men have few good grounds for hiding their financial affairs from those who elect them.

Congressmen do have rights, of course.

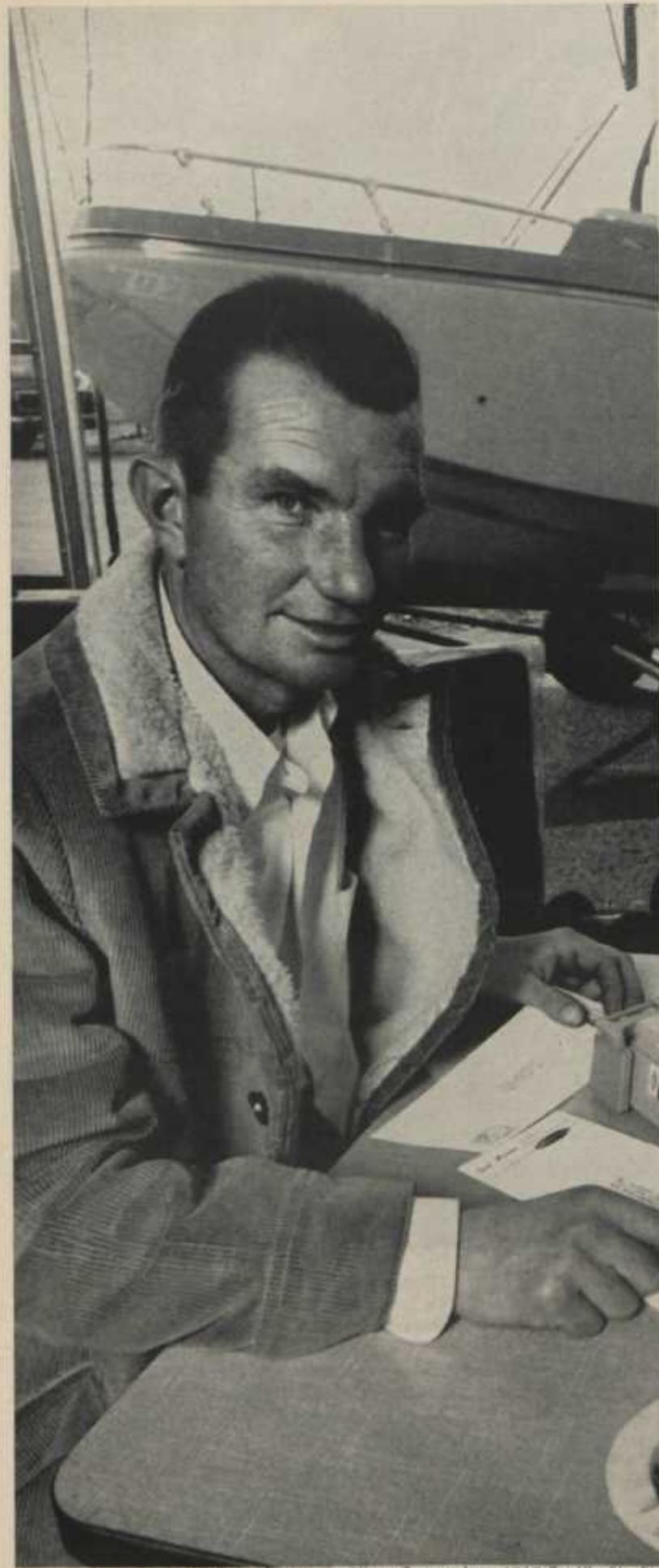
Such as their right to complain about overwork and underpay, although all of them asked for the job and each regulates his own rate of work and has funds for staff help and although few ever before were paid as much as they make as legislators.

They have a right to complain publicly about their expenses, as so many do, although each chooses the expense-level of the life he leads—and each has extra allowances to meet extra expenses.

But the responsible majority of members of Congress have no right to protect the practices of the suspect few.

No Congressman has a right to be a rotten bum.

Or even a plain bum.



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Sandwiched in among skiffs and barrels of bait is Gus' Marine in Massapequa, New York. Its owner, John Menso, sells and services Mercury outboards and Winner boats and stores and repairs about 90 boats and 500 outboards a year.

There's not much time left for bookkeeping. So John does his billing at home nights with his wife or at work when he has time to sit down. Whenever the mailing's being done, our desk model postage meter helps John with the job.

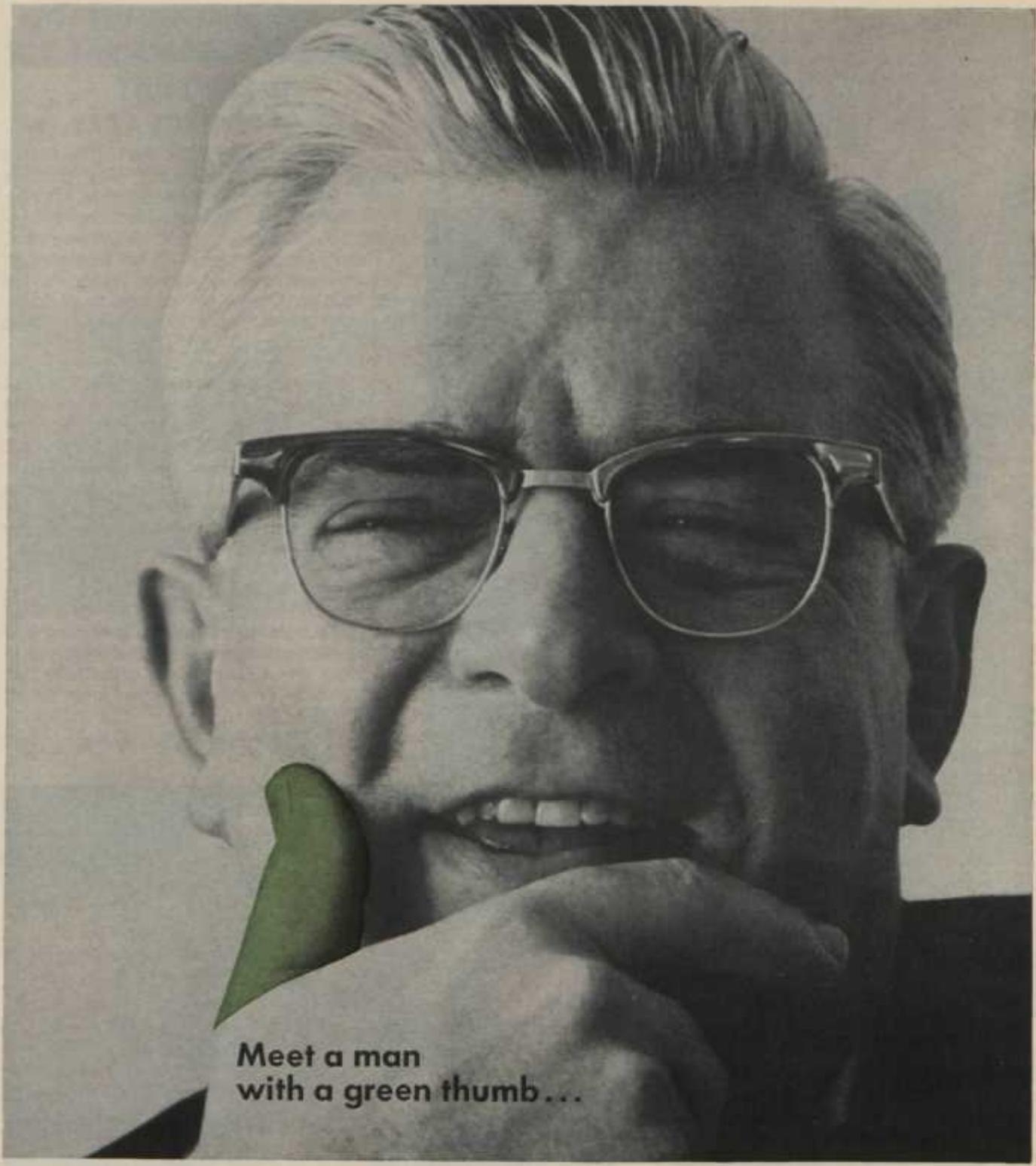
About 8 pieces of mail—statements, payments and promotional mailings alike—are put through the meter each day. Before John got the meter, he put a 5¢ stamp on every letter he mailed—even the lower rate promotional mail. Now he prints only the postage he needs.

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We built the DM-3 postage meter for men like John Menso. We even left space for a little ad to be printed alongside the postmark (John's ad reads, "Your Mercury Dealer"). To find out how a Pitney-Bowes postage meter can help you in your work, call a Pitney-Bowes office for a free demonstration, or write us for more information.

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WHERE AMERICA IS WINNING IN THE WORLD

Cuyana Indonesia
Greece
Brazil Chile
Yugoslavia
Guatemala Ghana Congo Malaysia
Iran Iraq South Korea
Guinea Ceylon

The remarkable story of how 15 nations which turned left have now swung back toward freedom

Since Benjamin Franklin was emissary to Paris and French ladies tittered that he did not use sachet often enough, there has been criticism of American diplomats and their policies.

Much was justified.

But the record of recent years shows that American policy—often carried out in concert with our allies—has been far more successful than many, if not most, Americans think.

Despite our mistakes, the USSR and Red China compare so poorly with the West that it's a mystery why people still are attracted to communism. The answer may be they simply cannot admit they

were wrong all those years. Credit goes to our four postwar Presidents, foreign policy advisers, big-minded businessmen who served their country and their companies, a few friendly nations and the CIA, whose failures are famous but whose successes are secret.

Sound diplomacy by these men and organizations, combined with poor moves by the opposition, were influential in the recent histories of at least 15 nations. These are nations which since World War II swung toward communism, Marxist or leftist totalitarianism and then swung back.

The 15 are Greece, Yugoslav,

WHERE AMERICA IS WINNING IN THE WORLD

continued

Iran, Iraq, Ghana, Congo, Guinea, Guatemala, Chile, Brazil, Guyana, Indonesia, Malaya (now part of the Federation of Malaysia), South Korea and Ceylon.

Depending on one's viewpoint Tanzania, Algeria and the Dominican Republic also could be added. Viet Nam eventually could represent another spot where the United States made communists give ground. Syria, United Arab Republic and Somalia dangle in limbo.

In eight of these, military regimes or force of arms were used to swing them westward: Indonesia, Ghana, Guatemala, Brazil, Congo, Malaysia, South Korea and Greece.



In an astonishing number of cases the United States had to reattract nations after allies let them drift.

This was true in Greece, Iran, Iraq, Ghana, Guyana and Ceylon which were British oriented.

The French left behind chaos in Guinea and Indochina.

The Dutch left Indonesia loaded with trouble.

The Belgian performance in the Congo handicapped the UN and everyone else.

The case for foreign policy "hawks" is strengthened, and the case for the "doves" weakened, when one looks at what has happened in most of these 15 nations.

President Harry S. Truman was

an aroused hawk when he set forth the Truman Doctrine in March, 1947. Greece and Turkey would have fallen into the Soviet plate if he had been a dove.

He was very much the hard-liner when he ordered Gen. Douglas MacArthur into action in South Korea in June, 1950. He was hawk again when he convinced the UN it must act—although later some Americans felt the President softened in not allowing Gen. MacArthur to cross the Yalu River into China.

If he had hesitated we might have communist governments in Japan and the Philippines today.

President Dwight Eisenhower approved a bold CIA plan to sponsor

Once head of a Marxist regime in Brazil, ex-President Joao Goulart and his wife now break the bitter bread of exiles after a revolution overthrew Goulart's government.





Communist Chinese diplomats who once were top dogs in Ghana were expelled at gun point when African nation rebelled at Red rule imposed on it by President Kwame Nkrumah.

Two nations once menaced by Red subversion now have a peace pact. Deputy Prime Minister Tun Abdul Razak of Malaysia (left) and Foreign Minister Adam Malik of Indonesia.



PHOTO: PTE. MAGNUM

an invasion of Guatemala in 1954. His act brought an end to the first communist government in the Americas. Four years later President Eisenhower sent the Marines into Lebanon to dampen down communist inspired troubles. For years the Middle East was more peaceful because of resolute U. S. action.

Berlin has called for many foreign policy decisions and most have been dove decisions. Contrary to common belief, Berlin is a political outpost rather than a military bastion and politically we have been on the defensive there for 20 years.

The Berlin round that Americans take pride in was a hawk performance—the 1948 air lift.

President John F. Kennedy, normally not much of a hawk, behaved like a calm but determined hawk when he told Nikita Khrushchev in 1962 to get the missiles out of Cuba—or else.

President Lyndon B. Johnson was a hard-liner in sending troops to the Dominican Republic. Whether he was justified or not is still debated.

Now let's take a look at the 15 nations which in our time were all but lost but which have now swung back our way or turned their backs on communism.

GREECE

Whatever the repercussions of re-

cent political turbulence in Greece, it can hardly wind up in as much danger as it was when President Truman rescued it in 1947. Greece then was heading for the communist bag.

At that time the new socialist government in Britain was liquidating overseas. It could not support Greece against the communists.

Mr. Truman ordered Gen. James van Fleet to the rescue with economic aid, military knowledge and equipment. Greece was saved.

Today, the situation is muddled after the recent coup which established the Greek army as boss, irritated King Constantine and landed

(continued on page 101)



Shah Mohammad Reza Pahlavi of Iran now rules over a Mid-eastern land that nearly went communist a few years ago, when Premier "Weepy" Mossadegh ran the show.

"PEACEFUL PLAN" TO

Labor unions now seek new power which could disrupt the economy

A bill with the most sweetly benign name on Capitol Hill has a frightening chance of becoming law.

It is frightening because it would adversely affect millions of persons in America—especially businessmen who must deal with labor unions. To many involved in construction work, the law would deal staggering blows.

The AFL-CIO, chief architect of the bill, calls it the Common Situs Peaceful Picketing Bill. It is confusingly innocent-sounding.

However, one businessman, after studying the havoc the bill could wreak on the economy, grimly cracked, "Common situs" must be Latin for 'lots of trouble.'

The bill's opponents prefer to call it the Secondary Boycott Bill. The bill, numbered H.R. 100, is sponsored by an old AFL-CIO favorite, Rep. Frank Thompson Jr. (D-N.J.). Sen. Wayne Morse (D-Ore.) introduced an identical bill, S.1487.

Rep. Thompson, who held hurry-up hearings on the legislation in April, insists that it is but a minor technical correction in the labor law. Yet AFL-CIO lobbyists have made the bill their major project for the Ninetieth Congress. And they predict that this time they will push it through.

Should they be right, a lone picket could then show up at any place where construction, alteration or repair is being done and shut down the entire project—with total immunity from secondary boycott charges.

Testifying before Rep. Thompson's subcommittee, one top AFL-CIO official was asked what good the bill could do for the public and how it could help the individual worker. The unionist failed to come up with a single answer.

He had to admit that construction unions already have the right to picket employers with whom they have disputes. They need only observe these safeguards:

1. The union must picket only at times when the primary employer—the person with whom he has the dispute—is engaged in normal business on the premises.
2. The union must picket reasonably close to the site where the primary employer's men are working.
3. Picket signs must clearly show with whom the dispute exists and not imply that a neutral employer also is involved.

What is presently forbidden is the use of strike pressure against innocent persons. That is precisely what H.R. 100 would change.

Already, under existing law, a group of building trades unionists, such as plumbers, can shut down a whole construction site (*continued on page 63*)



PHOTO: MICHAEL LUSTIG

CLOBBER BUSINESS

DANGER CHAIN

Here is the probable series of events that could result from enactment of the picketing legislation:

A local union business agent would enjoy the power of life or death over any construction project, be it excavating a stadium or painting a fence. This would include work on hospitals, schools, libraries, factories, missile plants, churches and the private homes of any person he might happen to dislike.

Nonconstruction unions would demand "equal rights." They, too, would want to pull off secondary boycotts, whereby a union pressures neutral employers and employees to stop doing business with or using the product of another person with whom the union is feuding.

Costs would rise for any businessman who wants to expand his plant.

Unions would receive a still stronger tool for resisting the use of new and more economical building materials and methods.

Workers could walk off the job right in the middle of an expensive project, leaving it to the ravages of weather, time and thieves.

In negotiations with unions, the builder would fall into even more disadvantage.

Construction, the nation's largest single industry, employing one in every seven working persons, would suffer on a broad scale.

Serious struggles could explode between labor unionists who want to strike and employees who are not involved in any dispute but simply want to work and make a living.

Giant union combines would get another weapon for crushing smaller rival unions. For this reason, many independent unions oppose H.R. 100 and S.1487.

Greatly increased work stoppages would sabotage efforts to fight inflation through stimulation of production and restraints on costs.

Taxpayers would have to shell out still more for buildings, highways and other public works.

The once-outlawed closed shop would make a further comeback. In time no construction worker could work unless he first paid dues to union bosses.

The subcontractor system in construction would vanish.

Federal programs to provide more and better housing for low-income families would suffer since there would no longer be low costs in housing.

Programs for increasing the number and quality of schools, hospitals, sewage systems, airports, highways and homes for the aged would be slowed or halted.

Many military building projects would be at the mercy of union bosses. The only restriction would be that unions give 10 days' notice before striking, say Cape Kennedy or the Nevada test site or any other vital national defense installations or projects.

BUSINESS REBUILDS THE SLUMS

In dozens of U. S. cities companies now are providing new homes, new lives for the poor

When workmen started tearing the insides out of a group of blighted buildings in North Philadelphia and making them fit for human habitation, they ran into a couple of problems: Vandalism and theft.

Hostile slum dwellers' lack of respect for private property and law was learned by living in decaying buildings and seeing housing codes go unenforced. And a length of copper tubing is a negotiable instrument in the economy of the slum.

So buildings were raided and new construction materials were carted off.

Those are problems no more. Residents of the Spring Gardens area eventually realized that the slum buildings being fixed up were for them, not for whites or for higher-income Negroes from somewhere across town.

As they watched their own neighbors move into decent housing, the big question became: "When's my turn?"

Behavioral scientists probably have a string of terms to explain

the phenomenon. But it's regarded as a big plus by a sponsor of the rehabilitation work, Smith, Kline & French Laboratories, the drug firm.

Why a drug firm? Why not? It's a corporation renewing its own neighborhood.

Elsewhere in other cities, businesses are joining forces with government and other interests to combat blight and provide low-income housing in the community at large. In Harlem and Cleveland's explosive Hough area, manufacturers of materials are doing the job to show it can be done.

For years some corporations have become involved in federal urban renewal. Sponsors of "new towns" claim they will provide some income-level "mix" in their projects. And private development groups have upgraded aging neighborhoods that suddenly turn fashionable.

But the new and fast-growing trend is toward direct attack by the business community at large on the economic problems of the slums and the social problems of their inmates.

Businessmen directly involved

often welcome government help like that of FHA, provided it's the right kind of help. Many of the poor simply cannot afford decent private housing with market-rate financing.

Government is aware that public housing enclaves and the urban renewal bulldozers can't begin to do the job.

It's hoped that a taste of decent housing will inspire the poor to equip themselves for better jobs and even better housing.

Building on this sort of motivation, Sen. Charles Percy of Illinois has developed a major program designed to promote home ownership among the poor across the country through private financing with minimal subsidy.

Reaction in Congress, avowed Administration policies and the variety of business-government experiments already underway may bring real changes.

A great deal is already happening. The following examples, by no means an exhaustive list of cities involved or even of all projects under way, gives an idea of the potential revolution in low-income housing.

The Philadelphia story

In Philadelphia, Smith, Kline & French has developed an arrangement whereby a private contractor acquires and rehabilitates buildings, with SKF absorbing part of the financing costs, and sells them to the local public housing authority.

Hand-in-hand with physical renewal, the company staffs a community center in the rehabilitation area to help residents deal with day-to-day problems of urban living—including maintaining a decent home.

Such jobs can yield reasonable profit to the builder working on a low-margin, high-volume basis with the added advantage of a built-in market, says Maurice Hertzfeld of Hertzfeld & Horowitz Associates, SKF's contractors.

Elsewhere in North Philadelphia, the North City Corp., consisting of 50 business representatives (mostly manufacturers), is engaged in a broad program to improve job opportunities, schools and housing.

While not an operating group, it helps get nonprofit groups to undertake low-income housing ventures, ranging from rehabilitation of three

houses to new construction on a 15-acre tract.

Financing is through FHA's so-called 221(d)3 program—three percent interest for 40 years.

The NCC is launching a separate corporation in partnership with the Philadelphia Housing Authority for a 15-acre area that could result in an income mix consisting of public housing renters and middle-income homeowners.

In the same city, four mutual savings banks have created a \$20 million mortgage fund to help families buy or improve their homes with standard, FHA-insured, long-term mortgages. Total monthly payments: \$63.49.

In a related development, Armstrong Cork Co. recently rehabilitated a building in Philadelphia to test materials, identify needs for new materials and techniques and demonstrate what could be done.

This project took four months and cost \$33,000, roughly half the time—and little more than half the cost—of comparable new construction.

In two Missouri cities—Kansas City and St. Louis—businessmen
(continued on page 94)



In St. Louis, the Bicentennial Civic Improvement Corporation makes run-down dwellings new again for resale to residents at low costs. Local labor is trained and paid to take care of work of rehabilitating these residences.



PHOTOS: T. RICK FLITCHER, JOE COSELLA—BLACK STAR

Mr. and Mrs. John Riva (left) pay \$63 a month for three-bedroom duplex in Philadelphia area revived with help of Smith, Kline & French Laboratories. Carver Portlock, SKF's Community Affairs Coordinator, and Joan Yasui, Philadelphia Housing Authority, look on.



WHAT'S YOUR INVESTOR I.Q.?

See how many answers you know to this quiz prepared for us by the Big Board

Though we all live, work and invest in our capitalistic system, some of us still have a sketchy idea about certain financial terms we use and see frequently.

To give you some idea of your investor IQ, the editors of NATION'S BUSINESS asked the New York Stock Exchange to prepare a quiz based on common misconceptions and questions on investing and the stock market. See how many you can answer; then check your responses against the answers on page 104.

TRUE OR FALSE

1. For many stocks the dividends are paid by means of coupons attached to the stock certificate.
2. Holders of preferred stock generally are entitled to dividends before owners of common stock are paid dividends. *Answers should be false*
3. One formula for determining a company's rate of return is to divide gross sales by net earnings.
4. "Up tick" is a term used to designate a transaction at a higher price than the previous transaction on the floor of the Stock Exchange.
5. A company's cash flow consists of net income plus noncash expense items, such as depreciation.
6. The New York Stock Exchange was founded under a buttonwood tree on Wall Street in downtown Manhattan during the War of 1812.
7. Initial margin requirements, fixed by the Federal Reserve Board, permit an investor to buy stock on credit.
8. The term "indirect share owner" does not apply to a bondholder.
9. An investor paid \$20 a share for 100 shares of stock. Currently the stock is selling at \$40 a share, and pays dividends of \$2 per share per year. The yield to the investor on the stock amounts to five per cent.

MULTIPLE CHOICE

Check one

10. A debenture is a type of
 a. Stock.
 b. Bond.
 c. Margin payment.
 d. Dividend payment.
11. Ownership in a corporation is represented by
 a. Common and preferred stocks.
 b. Common stocks and bonds.
 c. Preferred stocks and bonds.
 d. Bonds, common and preferred stocks.
12. The major function of an investment banking firm is to
 a. Lend money to investors for the purchase of securities.
 b. Lend money to brokerage firms to cover credit extended to buyers.
 c. Buy or underwrite newly issued stocks or bonds from a company and sell them to the public.
 d. Make long-term investments in stocks and bonds.
13. A rise of one point in a share of any stock means an increase of
 a. One dollar in the price of the stock.
 b. One per cent over the previous price of the stock.
 c. One dollar in the dividend paid.
 d. One per cent in the dividend paid.
14. The maximum tax on the gain from a sale of stock held at least six months is
 a. 12.4 per cent.
 b. 20 per cent.
 c. 25 per cent.
 d. 55 per cent.
15. When the outstanding shares of a corporation are split three-for-one, each share owner will ordinarily have
 a. Dividends three times as great as before.
 b. Same number of shares but more value.
 c. More shares but the same value.
16. The price-earnings ratio reflects
 a. Investor's evaluation of a company's earnings prospects.
 b. A company's earning power.
 c. Both.
17. The term "listed stock" refers to
 a. Any stock listed by a brokerage firm as a good investment.
 b. Any stock listed on a national securities exchange.
 c. Any stock for which annual lists of stockholders are published.
18. A company pays dividends on shares of common stock whenever
 a. It makes a profit.
 b. The Securities and Exchange Commission requires such payment.
 c. The price of the stock increases during the quarter.
 d. The Board of Directors decides to pay.
19. To "sell short" means
 a. To sell stocks after holding them only a short time.
 b. To sell only a portion of the shares of a given stock that one owns.
 c. To sell stocks you do not own.
 d. None of the above.
20. Machinery, buildings and other equipment used to produce goods are called
 a. Equities.
 b. Current assets.
 c. Ventures.
 d. Capital assets.

WHAT CRIME COSTS YOU

Private detective shows how easy it is to shoplift at most stores.



"Many of the streets of this city are simply not safe at any time of the day or night...."

This warning came, not from a panicky citizens' group, but from the staid Washington Board of Trade, testifying before a special Senate subcommittee probing crime in the federal district.

Not long before, in an open letter to President Johnson emblazoned across a full-page newspaper ad, the chairman of the board of a large Washington drug chain itemized 93 individual instances in which his company's retail outlets were hit by armed robberies and burglaries in one year's time.

The loss: \$116,257.75. None of it insured.

Shoplifting and vandalism are so common they have become a "cost of doing business," the Board of Trade comments.

The fear and concern expressed by these businessmen—and directed at the head of the national government—points up the fact that vicious crime in America today has reached startling proportions. Their story is duplicated in virtually every major city in the country.

No one knows exactly how great the losses are to American business.

But some surprising facts and statistics have been uncovered by NATION'S BUSINESS.

Crime has been the subject of special Presidential messages to Congress. A top-drawer Presidential commission has just completed a year-long study of crime. Several Congressional investigations into various aspects of crime are now in progress. The subject of crime occupies the attention of editorial writers across America. So far, no abatement of widespread criminal activity. The problem has defied solution.

Nationally, crime is increasing five times faster than the population. In the words of FBI Director J. Edgar Hoover: "Since over 90 per cent of all serious crimes are committed against property, business is bearing a high percentage of the loss."

Crime is now costing the country

It takes its heavy price from business in unsuspected ways

at least \$30 billion a year or approximately one fourth of the entire federal budget.

American business—large and small—is caught in a withering cross fire.

Sometimes the story is told in terms of pain, suffering and even death as when a small shopkeeper is assaulted or shot in a two-bit robbery. Or in terms of huge overhead as when a chain of supermarkets must employ security police, install expensive burglar alarms and pay exorbitant insurance rates to protect against theft, robbery, burglary, pilfering, vandalism and shoplifting.

The harsh fact is that no business is exempt.

The picture is sordid. Here are some parts as pieced together by NATION'S BUSINESS in interviews with law enforcement officers, Congressional investigators, management experts and the businessmen themselves:

- In 1965, the latest year for which figures are available, thieves grossed

more than \$30 million from robbery alone. Burglars made off with items valued at nearly \$284 million. In terms of losses, larceny ranged in the neighborhood of \$211 million. The FBI estimates that about 40 per cent of the loss from robberies was suffered by business and industrial concerns.

- Embezzlements from U. S. businesses are running at over \$1 billion a year. The American Bankers Association places the loss among banks at roughly \$15.3 million and savings and loan associations say they are taken for another \$1 million a year. Known bank embezzlements are up nearly 60 per cent over the last two years.
- Shoplifting is costing the businessman nearly \$2 billion annually.
- Employees steal millions in cash and merchandise alone from U. S. business. It is estimated that more than 20 per cent of the profits on sales made by the nation's retailers go down the drain because of employee dishonesty.
- More than 500 firms are being



PHOTO: WIDE WORLD

Fear of reprisal is the reason for masking the identity of a crime victim who tells a Senate committee how she was beaten. A hidden camera catches robber in the act as he holds up a bank.



WHAT CRIME COSTS YOU *continued*

forced out of business annually by losses from fraud and theft.

- Kickbacks, bribes and other forms of payola are running at more than \$5 billion a year.
- A high percentage of the more than 800 robberies in 1965 which ended in the murder of the victim involved small businessmen.
- Pilfering on the nation's waterfront is staggering. Losses on the New York state waterfront alone are approaching \$15 million annually.
- Businessmen are being nicked for some \$30 million a year by forgeries. Crimes such as vandalism, arson, extortion, bad check passing and fraud cost business additional millions in untold losses, but no estimates are available.
- In 1965 banks lost \$3,899,465 in 667 holdups and \$590,785 in 83 burglaries.

Congress investigates

The plight of the nation's almost five million small businessmen—the most immediate victims of robberies and burglaries—is now under study by the Senate Select Committee on Small Business headed by Sen. George Smathers (D-Fla.).

Sen. Smathers has hearings underway to determine whether the federal government should set up a

Small Business Crime Protection Insurance Corp. to help these victims who cannot afford insurance to protect themselves against criminal activity or whose insurance has been dropped following holdups and burglaries.

The pathetic nature of these crimes was brought out vividly when witnesses before the Smathers Committee appeared with hoods over their heads to conceal their identities. They were afraid of reprisals from thugs operating in the neighborhoods where they own small shops.

One after another witness testified they would go out of business if they could find a buyer. Most have no insurance. Police no longer are able to protect them or their property. They are desperate.

Washington is under a microscope because it is the nation's capital.

The extent of crime's increase is newsworthy. In March, 1967, for example, there were 85.9 per cent more robberies than in the same period in 1966.

Loss incalculable

"There is no way of knowing today the total amount of loss that the American business community as a

whole or the small business community in particular suffers from crime," explains James Vorenberg, executive director of the President's Commission on Law Enforcement and Administration of Justice.

"Studies of the cost of various crimes indicate that business as a whole in all probability suffers direct losses due to criminal acts of more than \$2 billion annually."

The cost of crime to American business would undoubtedly be a great deal higher if business did not spend so much itself for its own protection.

Commission studies indicate that business may spend as much as \$1.5 billion annually for watchmen, guards, alarm systems and other forms of security against crime. These safeguards—plus the cost of insurance—are what the indirect costs of crime add up to in America today.

The cold, dry statistics in the FBI's annual Uniform Crime Report don't project a pretty picture.

Between 1960 and 1967 the nation's larger cities—making up a fourth of the total population—found robberies of service stations up 54 per cent, chain stores up 44 per cent and other commercial establishments, not counting banks, up nine per cent.

The white-collar thief

All of a businessman's losses are not chalked up at the point of a gun or at the hands of a crafty safecracker. The sad fact is that "trusted" employees walk off with upwards of \$1 billion a year. The Insurance Information Institute says this is twice the amount of goods and money taken by all the nation's robbers, burglars, pickpockets and auto thieves.

Here we have the "thief in the white collar," as he is described by Norman Jaspan, who has spent more than 35 years advising business clients how to protect themselves against dishonest employees.

Customers are guilty, too, Dr. Robert N. McMurry, well-known management consultant, points out.

In food stores alone in 1966 he estimates pilferage by patrons sometimes causes losses equivalent to the store's entire annual profits.

Many have such lax security and inventory controls that they are not even aware they are being victimized, he says.

In a suburban community near Chicago, it was found that not a single merchant kept the alley entrance to his stockroom locked. On a test basis, each was entered by an

TO CURB EMPLOYEE CRIME

Here's a list of company rules that, properly enforced, will help you cut down your losses from employee vandalism and theft:

Keep all valuable items locked up, with the manager in possession of the key.

Use tamper-proof packaging with all price tags inside the wrapping.

Keep interchangeable items, such as butter and margarine, in separate cases.

Make employees sign for all tools and equipment issued to them.

Keep all storerooms locked.

Make all deliveries through the store.

Give each sales person his own cash drawer.

Permit no employee to make sales to himself.

Require all employee purchases to be checked in the package room.

Restrict all employees to a single exit.

Double check all merchandise re-

ceived at docks to insure that everything paid for is there.

Maintain tight control on customer refunds.

Permit no clerk to do final tally on his own cash register.

Allow no employee free access to storerooms.

Change all locks and combinations when you change custodial personnel.

Investigate all inventory shortages in depth; often thieving employees attribute these losses to shoplifters.

Probe all losses, no matter how minor, at once; most embezzlers start with small thefts.

Light and inspect regularly all areas subject to defacement.

Inventory all stocks of supplies, equipment and merchandise systematically.

Do not assume that employees are necessarily honest or well-disposed because they are relatives; often they are the most hostile and resentful of all employees.

END



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WHAT CRIME COSTS YOU *continued*

investigator. In not a single instance was the proprietor aware that his stockroom had been entered.

Some hush up thefts for fear of rocking the boat, he adds.

A leading Chicago department store, to avoid antagonizing the Teamsters' Union, refused to sign a complaint against a driver who was caught red-handed and confessed to the theft of an \$8,000 mink coat.

Dr. McMurry blames, too, a gradual shift in public morality away from the old-time Calvinist ethic to a much more relaxed and undisciplined way of life. He cites these examples:

No longer is it regarded as shameful to be an object of charity, for instance, a relief client. No longer are employees considered to have

any obligations to their employers, nor is simple honesty today regarded as a particularly worthy trait.

Misbehaving children are no longer to be punished, it might frustrate them. Pupils now strike their teachers rather than vice versa. Labor leaders are permitted with impunity to defy the courts and the President of the United States. University students defy their school administration.

The percentage of profit that's eaten away by such shortages is tremendous, Mr. Jaspan says. Department stores are estimated to lose 1.3 per cent on \$20 billion of sales, while their profit ratio is 2.5 per cent.

Food retailers suffer an estimated annual loss of \$100 million. This cancels out potential profits on \$5

billion in sales—10 per cent of the entire industry's annual volume.

Factories are especially vulnerable to thefts among employees. The loss of tools, parts, metals and other supplies and equipment is incalculable.

The story of what happened at one of the big West Coast aircraft companies is a good example of how widespread this thievery can be.

One evening as the day shift was preparing to swarm through the gates the workmen were instructed to remain in the yard. Suddenly the workers began littering the ground with hastily abandoned tools and equipment. The employees had assumed they were going to be frisked.

All the company had in mind was to bring them together for a group photograph. **END**

Professional shoplifters use many devices to steal merchandise from store shelves. Model shows here how hollowed-out book can conceal small, but expensive, items such as perfume or jewelry.



BUSINESS: A LOOK AHEAD

Waste pays off

(Agriculture)

Pole-pushers fight crime

(Marketing)

Building on air

(Transportation)

AGRICULTURE

"Yesterday's waste is tomorrow's product." So says U. S. Agriculture Department in describing results of continuing efforts to recover wastes from food processing as means of reducing stream pollution.

Recent example: California olive processing plants discharged some 200 million gallons of brine per season into streams; antipollution crackdown threatened production cut-backs.

USDA's Western Utilization Research Laboratory at Albany, Calif., developed activated carbon process to recirculate brine and remove salt. Recovered salt is worth more than cost of the process.

Other processes: whey once lost in dairy operations now recovered as food component for humans and animals; poultry feathers, once dumped into streams, are ground up now for high-protein feeds.

CONSTRUCTION

High-powered research tools will be used increasingly in charting future growth of the nation's cities.

That's the forecast of Paul F. Wendt, of the Institute of Urban and Regional Development, University of California.

His institute is forecasting long-range for the San Francisco Bay Area, cranking into computers formulas and factors involving employment growth, residential patterns, public investments, transportation technology along with such traditional facts as population trends.

The Bay Area Water Quality Control Board since has asked for a larger study for an 11-county area through the year 2020.

Also highlighting this trend, a University of Pennsylvania conference just held on "the technological revolution in management" also emphasized scientific analysis in planning and forecasting in urban areas.

Experts say such forecasting is of use to private developers and investors as well as to government officials.

CREDIT & FINANCE

Consumer credit counseling services will be operating in 500 U. S. cities in the next three years.

So predicts William Cheyney, executive director of the National Foundation for Consumer Credit, on the basis of a "sudden burst" in business support for services to families which borrow themselves into trouble.

Launched nationally in 1964, program had services in 64 cities re-

cently, organization work in progress in 50 more.

Supported by merchants, banks, press, city officials, the program provides trained counselors to give free adviser services to overextended borrowers, help them get stretched-out repayment terms, keep them out of further trouble.

Personal bankruptcies decline in Salt Lake City and Atlanta, where program operates, despite bankruptcy rise state-wide in Utah, Georgia.

Program ties in with preventive effort—consumer credit counseling in some 2,800 schools.

FOREIGN TRADE

Government rules covering duty-free imports of instruments by nonprofit scientific and educational institutions stirs rumbles among lawyers dealing with federal agencies.

International agreement now provides for such imports provided "equivalent" equipment is not manufactured by domestic industry or not promptly available.

Pending deals must be officially announced to give U. S. manufacturers time to dispute claims by would-be importers at hearing, held by Administrator of Commerce Department's Business and Defense Services Administration.

Complaint in Washington now is that new rules governing hearing procedure permit BDSA to solicit information on which decisions are to be based from in and outside of government—information unavailable to domestic manufacturers until after cases are decided.

MANUFACTURING

An existing market potential of more than six times the 1966 production rate.

That's the \$7 billion-plus estimate by the National Machine Tool Builders Association for metal-cutting tools just to replace equipment more than 10 years old. Replacement market for tools more than 20 years old is estimated at \$3.4 billion.



*Use of freeway air rights for housing is growing.
(See transportation.)*

A. J. DeWolf, president of NMTBA, emphasizes that these are "ultra-conservative" estimates and exclude expansion potential in the metalworking industry. It points to long-term strength in machine tools regardless of temporary downturns in industrial production or pauses in the economy.

MARKETING

When people try to pass laws to outlaw your product, you might say you have a bit of a marketing problem.

That's somewhat the position of American Wood Preservers Institute members in face of demand for putting utilities under ground; in other words, no utility poles.

Institute's answer is OSAR, overhead systems appearance research, an effort by members in cooperation with General Electric to design and promote attractive poles unlike black, creosoted, wire-festooned eyesores of today.

One alternative is see-through pole, consisting of pair of square poles side by side; another is round pole enclosed in fiberglass (pick your color) and channelled inside to carry power for lights or wires to house connections from underground distribution lines.

Regional committees are being formed to bring Institute manufacturers, local officials and utility men together to tout attractive features of new-look poles and economies of overhead systems compared to all-underground.

Despite underground trend, pole-pushers have one thing going for them: Many cities strive for better lighting as deterrent to street crime. Here there's competition among steel, concrete, aluminum and wood poles.

NATURAL RESOURCES

Surface mining industry pushes efforts to reclaim torn-up land.

For example, coal association predicts reclamation of 10,000-12,000 acres this year in West Virginia, 2,370 in Indiana, 4,500 in Illinois, 7,000 in Pennsylvania, 4,000 in Ohio and nearly 2,000 in Missouri in trees and ground cover.

"The pace is picking up," senses National Coal Association spokesman although comparative figures are hard to come by since some states report by acres, others by number of trees planted.

Florida Phosphate Council now has program under which companies reclaim mined-out land equivalent to 75 per cent of land mined in same

year. Program is acclaimed as "miracle."

Reclaimed land goes for agriculture, timber, citrus, pasture, recreational, commercial, and residential uses.

Government tightens up, too. States with reclamation laws are making them stiffer, industry sources report, and bill pending in Congress would give Interior Secretary powers to set minimum standards where state controls are regarded weak.

Report on surface mining problems nationwide required under Appalachian regional development legislation, also is expected before July 1.

TRANSPORTATION

More and more buildings will be going up in the air.

Air, that is, over highway and rail rapid transit lines threatening to consume increasing amounts of vanishing urban land.

"Air rights" construction is old stuff in areas like New York City where Grand Central Station complex has long permitted recovery of land taken by rail lines. Construction over highways has occurred and more is planned.

Legislation is pending to permit air rights construction over a major proposed freeway in Washington, D. C.

Experts also predict similar use of space over transit lines planned for Washington metropolitan area.

John C. Kohl, executive secretary, division of engineering, National Research Council, notes that highway or transit facilities must be designed with air rights construction in mind at the outset if it's going to work.

For example, subway station complex must have suitable foundation, columns and supporting spans to avoid prohibitive costs of constructing overhead.

New U. S. Steel building in Pittsburgh involves rebuilding of Pennsylvania Railroad tunnel now under construction site, plus provision for second right-of-way for future rapid transit system.

ENRICHING LIFE BY BROAD EXPERIENCE

A conversation with Thomas B. McCabe, who has blended active service in government, politics and education with a lifetime at Scott Paper Company

When Thomas B. McCabe finds something he likes, he sticks with it. He talked his way onto the Scott Paper Co. payroll back in 1916 as a \$10-a-week salesman. Now, 51 years later, he's still with Scott.

Talk with him and you're left with the impression that Tom McCabe, the 73-year-old board chairman, is every bit as enthusiastic about and interested in the future of business and society as was Tom McCabe, the 22-year-old Swarthmore College graduate.

When he joined Scott, sales ran about \$2 million a year; this year he expects they will exceed \$500 million. It took him just 11 years, with two years out for military service in World War I, to rise from salesman to president of the company. He served as Scott's chief executive officer for nearly 40 years, and now is its board chairman.

Throughout his career, Mr. McCabe has lived the truism, "if you want a job done right, find a busy man to do it." In 1948, Democratic President Truman chose lifelong Republican Tom McCabe to be chairman of the Federal Reserve Board.

He founded the Marketing Science Institute, a multi-company endeavor to explore the science of marketing research. He's chairman and a founder of the Eisenhower Exchange Fellowships Committee, which enables young men of proven leadership potential in America and elsewhere to travel and study in this country and abroad.

Former President Eisenhower told NATION'S BUSINESS:

"Nothing strikes me so forcefully about Tom McCabe as the apparent effortlessness with which he seems to carry on a big business and at the same time participate in so many projects devoted to the welfare of our people. We need a lot more like him."

Mr. McCabe is proud of his company and of the men whose careers he's had something to do with. He was one of those who influenced a reluctant William W. Scranton into running for Governor of Pennsylvania. From the board of Scott Paper have come two Secretaries of Defense—Thomas S. Gates and Robert S. McNamara.

Says Mr. Gates, now board chairman of Morgan Guaranty Trust Co. of New York: "By nature, Tom McCabe is an optimistic man—a believer





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The Russians finally admit they don't have all the answers.

This really happened.

During a recent tour of Pittsburgh's Deeter-Ritchey-Sippel architectural firm, a group of Russian technicians spotted a 130 Electronic Calculator by Friden.

At first they couldn't believe it was a calculator. It looked too good. It worked too fast. And it didn't make any noise.

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immediately appear at the bottom of the cathode ray display tube. As each new factor was entered, the previous figure moved up to the next register (this eliminates worksheets and keeps intermediate calculations available for instant use).

There was no noise, because the 130 has no moving parts. Solid-state components just don't go "clickety-clack".

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They were all genuinely impressed. One comment (which we'll cherish forever) was that they had nothing like the 130 in Russia. But they wished they did.

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LESSONS OF LEADERSHIP *continued*

in things." Mr. McCabe has served as a public governor of The New York Stock Exchange, as a member of the boards of General Electric Co. and Campbell Soup Co. He holds honorary degrees from 15 colleges and universities, and in 1946 was presented the Medal of Merit for his service to business, education and government.

In the following interview, Mr. McCabe tells about his career, his toughest decision, how you can tell if a person has leadership potential, and relates a humorous anecdote about his appointment to the Federal Reserve.

Mr. McCabe, how is it you came to Scott Paper Co. in 1916?

When I graduated from college, I decided to return to the Eastern Shore of Maryland and join my father, who was a country banker.

Out of the blue, I received a letter from my course adviser at Swarthmore College, telling me what a mistake I was making. He said I should break loose from my home environment and spread my wings to find out what I could do.

The areas of greatest interest to me were banking and manufacturing because one of my most interesting courses in college was "Money and Banking." As you recall, this was the period of the founding of the Federal Reserve system. I was vitally interested. Then on my summer vacation I managed an ice plant and found I could succeed doing that.

In looking about, I thought of Scott Paper Co. When I was in college I had an opportunity to meet the elder Mr. Scott and his son, and I was impressed with their personalities and standing in the community.

So I contacted Scott Paper. Mr. Scott said he felt I should get into a more important industry like automobiles or steel.

But he couldn't dissuade me. I started at a salary of \$10 a week.

Just 11 years after joining Scott you became president and chief executive officer. Had you ever imagined your ascendancy in the company would be so fast?

Certainly not. But even as a beginner, my progress was rapid. I received a \$5-a-week raise each three months until I enlisted in the Army in 1917, 15 months after starting with the company. On my return, I was offered the position of assistant sales manager—which I

thought was quite a job—at the then fabulous salary of \$60 per week.

Was there ever a time when you considered leaving Scott for another job?

Yes. In the first few months I became very annoyed with my immediate supervisor. Being a young idealist and full of beans, I was irritated by what I regarded as his provincial thinking, slow acting and inability to grasp what I thought were major problems of the business. Evidently Mr. Scott detected this, and he counseled with me frequently. He got across the fact that if I was patient and tolerant I would make out. I think more young men become discouraged through lack of leadership by their immediate supervisor than for any other reason.

Since you joined Scott business has increased to \$500 million a year. What are the most important reasons for this?

First, the fact that the company was engaged in the making of household paper products—absolute home necessities. The potential for growth in this area was substantial. Once we gained the leadership in our industry, our pride spurred us on to excel in every phase of the business.

Second, the fact that we were completely dedicated to a policy of high quality products, good values and intensive marketing. Since these objectives could not be attained without the highest type of employee, we gave personnel development the highest priority.

How do you make a big decision? What are the major factors in executive decision-making?

You must approach a problem with complete objectivity. Important decisions ought to be made by being as objective as possible. Also, when recommendations are made for a major change in policy, demand that alternative courses of action be advanced so you have a choice.

And you must always realize that a department head who advances a recommendation can be so close to the problem that he can't see the forest for the trees.

What was your most difficult business decision?

Undoubtedly the most important decision in the earlier years, when our resources were strained, was to pay almost any price to maintain

our leadership and extend our favorable consumer franchise.

I would think, however, that the most difficult decision was to embark the company on a program of complete product integration—that is, the growing of pulp wood as well as the making of paper. For the first few years I was with Scott, it was a paper manufacturer and converter but not a pulp producer. It purchased its pulp from various parts of the world, particularly Scandinavia and Canada. There was a period in the 1920's and 1930's when this had certain price advantages, because the world market for wood pulp was depressed. It gave you a certain competitive advantage, but it was very difficult to get good quality.

In order to preserve high standards and to obtain greater efficiency in manufacturing, we decided to engage in raw material production. This was very costly.

The pulp and paper industry is a notoriously high capital industry. On the basis of present cost, to double our \$500 million sales volume would require an investment of a billion and a half dollars.

A second major decision was to construct and operate wide, high-speed paper machines, also very costly. During the first few years, we nearly lost our shirt developing the technique to do this. But that decision was very important to this company.

How do you know if a person has executive ability?

You are generally attracted by his personality and ability to deal with people.

I live near a college campus and I watch with avid interest the boys with potential leadership because they have a type of personality that engenders confidence, enthusiasm and spirit.

Then you check the man's record to determine how well he trains men under him. If you notice that other department heads are trying to recruit individuals from his department, you know the man is a good trainer. If they avoid him, the danger signal is up and you begin to wonder. Is he taking too much credit himself; is he smothering his men?

I'd say the next important characteristic is commercial judgment. How does he meet a crisis, a knotty problem, and solve it? The payoff in any good executive comes in making sound decisions, and in analyzing a potential executive you have to determine whether he has good

LESSONS OF LEADERSHIP *continued*

Low price time clock helps small companies meet strict requirements of wage hour law



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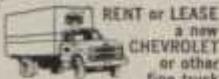
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judgment and comprehensive knowledge in his field.

Integrity, creativity and fair play also are basic essentials.

It takes great courage to reach in the corporate package and select a potential winner, to coach and counsel him, to back him against all who would undermine him, to inspire and promote him above many who have been with you longer.

Should businessmen take jobs in government?

If a businessman has the capability and interest in politics I think he should seriously consider government service.

I must say that such experience enriches men's lives and I find that they return to their jobs with a much broader view. Their decisions are apt to be more objective, and I think they can give their organization better leadership. In government the problems are so complex and of such magnitude that when a person returns to business he finds some problems are much simpler than he realized.

What did you think when President Truman asked you to be chairman of the Federal Reserve Board?

I was astounded. I said, "Mr. President, do you realize I am a Republican?" He just kept talking. I said, "Mr. President, I am a Pennsylvania Republican and I am supporting so-and-so for the Presidency."

He stopped and looked at me and said, "Tom, you don't suppose I would have asked you down here if I didn't know your politics, but I'm surprised you're supporting so-and-so; he's further to the left than I am."

A friend of yours, Philadelphia industrialist Philip T. Sharples, tells me you try to do too much, but that you always end up doing it well. How do you fit so much into your schedule?

Well, basically, your ability to do many things depends on your zeal and interest. I have a vital interest in business, education and politics. I try to schedule my time and activities so that I participate in all of them.

One of the reasons I have not accepted a salary from the company for several years was to ease my conscience about the time I devote to extracurricular activities.

You don't have much use for non-partisans in politics, I understand.

That's right. I think the two-party system in America has proven to be one of the greatest assets in our political, social and economic development.

To preserve the two-party system requires the diligence and dedication of a majority of our people. I have great respect for the men who give of their time, energy and money to preserve it.

But I have very little patience with the free riders who are too proud to fight, who want to enjoy all of the fruits of our political system without engaging in the hard, grueling work of preparing for elections.

Mr. McCabe, you have seen government from within and without. In your opinion, are there too many regulations or restrictions on business?

I think there are areas where there is entirely too much government regulation and restriction. For example, agriculture.

Another overregulated area is transportation. Recently the Congress has tried to correct this partially. But I think our railroads and steamship lines are still overregulated.

Another area that occurs to me is labor relationships. The Department of Labor and the National Labor Relations Board have developed policies that retard rather than promote sound labor relationships.

And in the antitrust field, great efforts should be made to clarify the regulations and restrictions.

You are considered a pioneer in the field of marketing research. What is the need here as you see it?

Well, marketing research ought to be the eyes and ears of the future. We should be exploring the thoughts of people, the changes in their habits and desires.

What is the purpose of the Marketing Science Institute that you organized?

When I came back from Washington in 1951, I was surprised at the enormous advances we had made in research in the physical sciences. But the development of the social sciences, particularly marketing research, had lagged far behind.

So, I began a series of luncheons with my business friends to talk about the subject and to try to ascertain if they would be interested in creating an institute for market-



The market capital of these United States is in the Houston-Gulf Coast

You may notice that a few states are missing in the map—that's because there are a *few* places where retailers outsell those in the Houston-Gulf Coast. But not in forty-four states. Total retail sales in Harris County alone exceed those in any county in the states shown above.

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LESSONS OF LEADERSHIP *continued*

ing research. This would be a central depository of information, a place that would do fundamental research.

We needed more fundamental facts upon which to operate our applied research programs.

As a result, 29 of us joined together to underwrite and become charter members of the Marketing Science Institute, and subsequently several others became members. Currently the institute has a half dozen or more important reports to be published in book form during the year.

In the field of education, you have said it is not enough for business to give colleges and universities money.

That is right.

I think business needs a better understanding of what is taking place in the field of education. And

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In this way, we think we are giving something in addition to money, and probably something far more valuable to the student; the program is being steadily enlarged.

Also, we provide summer employment for college and high school teachers. And our own people lecture at colleges and universities.

Doesn't your company have an active program to encourage its own employees to further their education?

Oh, yes. We encourage attendance at night school, at extension schools and pay the tuition wherever a person makes a creditable record. We have sent innumerable, promising executives to schools of business administration for refresher courses or advanced courses in management.

About once a month we bring eminent educators in to address various groups in our company.

We try to encourage our people to support colleges by making matching gifts of their annual contributions.

Also in the field of education, aren't you one of the founding fathers of the Eisenhower Exchange Fellowships?

Yes. This is an endeavor very close to my heart.

The members selected average in age between 35 to 40, and they are carefully chosen from the field of greatest need in their country, particularly the developing countries. The results of the program are extremely gratifying.

Currently, four former Eisenhower Fellows are in the cabinet of the Argentine government, and several are cabinet members in other countries. Others are members of parliaments, leaders in education and the professions. The prime minister of Turkey is also an Eisenhower Fellow.

How did the idea of the exchange fellowships get started?

Friends of President Eisenhower's decided they wanted to give him a present on the first birthday

he had after he became President. They approached Mrs. Eisenhower and told her they had in mind furnishing a room in the Gettysburg house, or something like that.

She said, "No. I think it would be better if you could develop some sort of scholarship program for foreign students. He has a vital interest in establishing better relationships with other countries in the world."

Beginning with that idea, I assisted in organizing the group. And an amazing thing is that the interest has not diminished since Gen. Eisenhower left office.

Confidence, you have said, is the most important single factor in business. Will you explain this?

It is not only the most important factor in business, it is the most important intangible in all of life. How do you build a successful marriage? How do you get people to support local and national programs? It is because they have confidence.

If people begin to lose confidence in the administration in Washington, you notice that the economy suffers; likewise, when confidence is restored, there is a renewed hope on the part of everyone in business, and the economy improves.

I think we have magnified the facts that are developed by statisticians and economists. And I am always surprised that this intangible is not mentioned more often by economic forecasters.

Confidence is a priceless ingredient in a business operation. Why do people buy your products? Why do the best people in your company become dedicated to its principles? What happens to a business if confidence is destroyed?

Are the opportunities for success as great now as when you started out?

They are ever so much greater. Opportunities increase with the increase in economic, social and political activity. There is a far greater demand for well-trained people today than ever before.

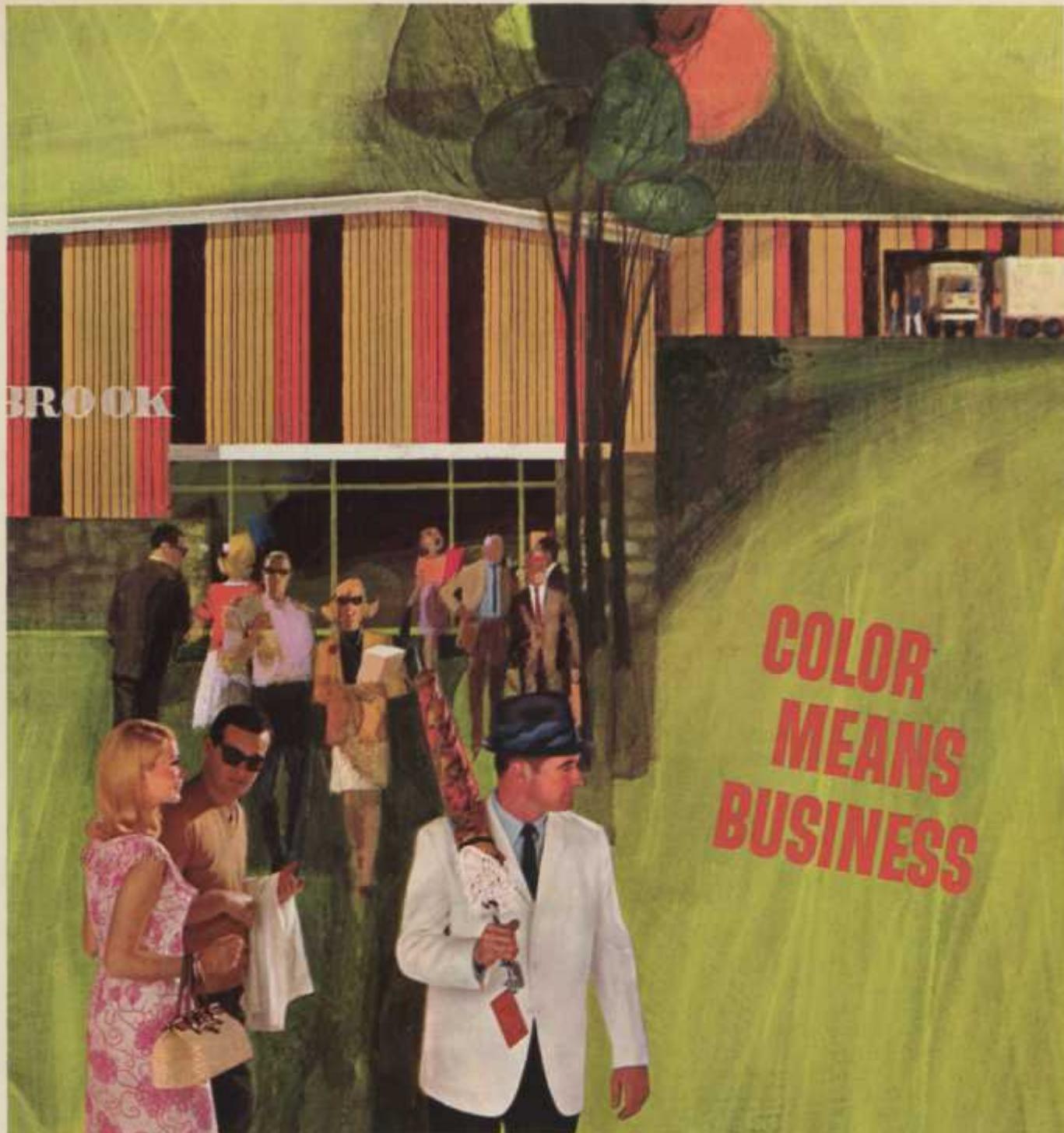
We have so many more departments in our company alone that did not exist 25 years ago—operations research, future planning—more specialists, more lawyers.

This is a period of specialization. And as life becomes more complex, the opportunities become greater.

What do you consider the one or two most important changes that have taken place in this country during your long career?

I think that the revolution in

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"I have not yet, indeed, thought of a remedy for luxury..."

BENJAMIN FRANKLIN

"I am not sure that in a great state it is capable of a remedy; nor that the evil is in itself always so great as it is represented."

"Suppose we include in the definition of luxury all *unnecessary expense*, and then let us consider whether laws to prevent such expense are possible to be executed in a great country, and whether, if they could be executed, our people generally would be happier, or even richer."

"Is not the hope of being one day able to purchase and enjoy luxuries, a great spur to labour and industry?"

"May not luxury, therefore, produce more than it consumes, if, without such a spur, people would be, as they are naturally enough inclined to be, lazy and indolent? To this purpose I remember a circumstance.

"The skipper of a shallop, employed between Cape May and Philadelphia, had done us some small service, for which he refused to be paid. My wife, understanding that he had a daughter, sent her a present of a new-fashioned cap.

"Three years after, this skipper being at my house with an old farmer of Cape May, his passenger, he mentioned the cap, and how much his daughter had been pleased with it.

"'But' (said he) 'it proved a dear cap to our congregation.'

"How so?"

"When my daughter appeared with it at meeting, it was so much admired, that all the girls resolved to get such caps from Philadelphia, and my wife and I computed that the whole could not have cost less than a hundred pounds."

"True", (said the farmer) "but you do not tell all the story. I think the cap was nevertheless an advantage to us; for it was the first thing that put our girls upon knitting worsted mittens for sale at Philadelphia, that they might have wherewithal to buy caps and ribbons there; and you know that the industry has continued, and is likely to con-



Original wood engraving by Bernard Beusel-Smith

tinue and increase to a much greater value, and answer better purposes."

"Upon the whole, I was more reconciled to this little piece of luxury, since not only the girls were made happier by having fine caps, but the Philadelphians by the supply of warm mittens."

"Poor Richard" put his finger on this simple key to an expanding economy over 200 years ago. So, isn't it strange to find people—well-meaning people—in this country today who still frown on the luxuries most of us work to enjoy? They want the government to restrict the broad range of products and services in the marketplace. And to cut back on advertising because it makes people want things they don't need.

Don't need? Well, of course, no little girl *needs* a bow in her hair. Yet, Mary Murphy will forever top off the apple of her eye with a ribbon. And where would the ribbon factories be without her? And the ribbon clerks?

It is just this very human desire to add the little frills to our living that has created our jobs and our prosperity . . . the ribbon factories and automobile factories and television factories . . . and the most dynamic economy in man's history. Shouldn't we be careful about how we tinker with the forces that have created all this? Because the simple, troubling truth is, nobody knows for sure how far you can regulate our economy without damaging it.

LESSONS IN LEADERSHIP *continued*

science and education is probably the most dramatic and far-reaching development in my lifetime. I am utterly astounded with the developments in outer space. I pinch myself every time I get on a jet plane to make sure I am really there.

What is happening in the field of medicine and therapy is just unbelievable. And look at the expansion of the school system at all levels, and at the insatiable desire of parents with limited means and limited opportunities to have their children obtain an education.

Yes, I think these two explosions—of science and education—are the miracles of my lifetime.

How do you relax, Mr. McCabe?

I am not as interested in relaxation as I am in effort. I am terribly fond of fishing. I have a fishing and hunting camp in Maryland. And I shoot in South Carolina, Texas and Mexico.

I think my greatest form of relaxation is walking, particularly on the college campus, talking with the

students, many of whom are there on my scholarships. That is a great relaxation for me.

What has been most satisfying in your business career?

Well, in material satisfaction, it is the growth of the business, the enlargement of our shareholder and customer list, the fact that people who have invested in the company over the years have been rewarded and the assurance we have afforded employment to many thousands of people.

But I suppose the greatest reward is seeing key men develop into extraordinary leaders. **END**

REPRINTS of "Lessons of Leadership: Part XXV: Enriching Life by Broad Experience" may be obtained from *Nation's Business*, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.

"PEACEFUL PLAN" TO CLOBBER BUSINESS

continued from page 38

merely by letting its strike drag on for a couple of weeks. By then, the typical contractor can find no further work for his other sub-contractors until the plumbing work is done.

Construction projects are particularly vulnerable to strikes because of the large amounts of money committed to tight schedules. The public needs to have schools or hospitals finished by certain dates. So building trades unions have learned to press for outlandish demands once a builder or subcontractor has committed himself to deadlines.

"The unions have so much power now," relates one contractor, "that I'm afraid to complain when I see a worker doing something wrong. Instead, I just tell him, 'I'm sure glad to see you today'—and, by gosh, I mean it."

If H.R. 100 is made law, a single carpenter could decide—and it's been done—that standing on a two-foot-high stilt to install a ceiling is "extremely dangerous." He could walk off, don a picket sign and cause a whole school construction project to close down until his gripe is settled.

Construction unions insist that they need H.R. 100 to help them

organize workers. It would enable them to shut down a whole work site, because some workers have refused to join a union or have joined a rival union. They want this even though already their memberships and tax-free treasuries are bulging.

Green light for boycotts

H.R. 100 would nullify—as far as the construction industry is concerned—the public's protection against secondary boycotts, namely Section 8(b) (4)(B) of the Taft-Hartley law.

"The secondary boycott is the most unjustified and harmful of all strike activity," contends Lloyd E. Clarke, first vice president of the National Association of Home Builders.

Construction unions enjoy vast preferential treatment over other unions in their power to make agreements against handling certain "hot cargo" materials that union bosses don't like.

They often use this power to prevent use of such modern cost-savers as nonmetallic cable, plastic pipes, paint spray guns and prefabricated products.

Construction unions also enjoy

the unique authority to make closed shop agreements, so no one can be hired for a job unless he is sent from a favored union's hiring hall.

While claiming that they need still more power through H.R. 100, construction unions continue to haul down the fattest wage settlements of all industries.

"I have trouble trying to follow the many provisos in this bill," says William E. Naumann, chairman of the legislative committee of the Associated General Contractors of America. "If it is passed—and God forbid—I can see the courts and NLRB (National Labor Relations Board) having a field day lasting the next 10 years trying to figure out what the bill has said."

At hearings on H.R. 100, Rep. Thompson became ruffled by one witness, a lifelong building contractor. The witness suggested that the bill's proponents did not have a firm grasp on the workings of the construction industry.

"I'm not going to sit here and have witnesses say we have little knowledge," bristled Rep. Thompson, slamming his pencil on the table. "Of course, I'm not as bright as you."

An hour later, Rep. Thompson addressed a union gathering and said, "As a matter of fact, I do know something about construction; I built a house once. Incidentally, I've invited that guy back tomorrow. Lou Sherman (counsel for the AFL-CIO's Building Trades Department), you just give me the bricks and I'll throw them at him. That's what we Irish do. You make them and we'll throw them."

"If we get common situs, it's the only labor legislation we can expect this year—except social security. But we'll lay the groundwork for the future when we'll get the amendments we need to other parts of the Labor-Management Act."

A foot in the door

AFL-CIO bosses know that once they get expanded secondary boycott power in the construction industry, nonconstruction unions will claim they're being discriminated against. They, too, will clamor for secondary boycott "rights."

Unionists like the secondary boycott weapon. First, because it is so effective in bringing employers to their knees. Second, because it forces workers to join the controlling union. Big unions delight in the prospect that H.R. 100 will help destroy workers' freedom to choose what union they want to belong to.

Unions, of course, have long since

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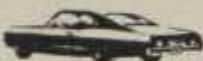
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"PEACEFUL PLAN" TO CLOBBER BUSINESS

continued

crushed most construction workers' hopes of not having to belong to any union in order to work.

Sen. Robert P. Griffin (R-Mich.) coauthor of the Landrum-Griffin labor reform law, points out that the common situs bill will mean that any time non-AFL-CIO workers show up at a job, the whole project can be legally closed down.

He comments: "I can't understand how that can be in the public interest if we believe basically that employees ought to have the right to join the union of their choice or not to join a union if that is their choice."

It has been conservatively estimated that work stoppages during the first year after passage of the common situs bill would increase construction costs by a billion dollars. And the cost will go much higher once unions have perfected manipulation of the law.

The basic union argument for H.R. 100 is that it does not really involve secondary boycotts. Subcontractors in a construction project—a missile base or a bungalow—are not independent, they argue. They are actually all in the project together as partners or "joint venturers."

Therefore, say the unions, any strike between an employer and a labor union representing a particular craft at a construction site, should be considered a lawful strike against all employers at the site.

The law says No

However, the Supreme Court noted in 1951, in the Denver Building Trades Case, that it is no more correct to say that the employers at a building site are joint venturers than it would be to say that an auto parts supplier is a joint venturer with an auto maker.

Subcontractors legally are obliged to complete their portion of construction projects by a certain time and to a large degree pay for any additional costs due to price hikes in materials or labor problems incurred after letting of the subcontract.

Furthermore, construction unions have always jealously guarded their right to negotiate labor contracts separately with subcontractors, and not with the general contractor. They know they often can drive harder bargains with smaller subcontractors. At such times they stoutly contend that the subcontractor is their only employer.

Sometimes the number of individual employers on a complex construction project is fantastic. At Vandenberg Air Force Base there were, at the same time, 37 different general contractors and 370 subcontractors. More than 400 separate labor contracts were in effect.

Building trades unionists, nevertheless, continue demanding "equality" with their industrial union brothers in manufacturing plants. They enviously eye the way a member of a toolmaking unit in a plant can picket and prevent everybody in the plant from going to work.

The construction unionist says it's unfair discrimination that he can't do the same. He claims Congress must help him or he'll be taken advantage of.

Contractors point out that picketing at factories has restrictions, too. It can be limited to gates used by factory workers, just as construction site picketing is restricted to places where the primary employer is working.

There is little other similarity, contractors maintain, between picketing a manufacturing plant and picketing a construction site.

A construction project, contractors point out, is no more like an industrial plant than the 19 building trades unions are like a monolithic industrial union such as the United Auto Workers.

A manufacturer may deal with many unions, but there is still only one employer involved. This employer alone deals with all the unions at the plant. At a construction site, however, there is no single employer who determines the labor policy of everyone working at the site.

Construction unions already have enormous strike power. For example, New York plumbers struck for 165 days, shutting down such vital projects as hospitals. Finally, they settled for \$6.49 an hour. The Atlanta Carpenters Union struck for 81 days last year, demanding a 26 per cent increase in wages.

San Francisco plumbers haul down \$7.89 an hour straight time and \$13.23 an hour for overtime which starts after a seven-hour day.

Noting the construction unions' recent record of bloated wage demands and continual strikes, William Naumann of the Associated General Contractors of America, says:

"They don't need any more privi-

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leges or protection. We think it's high time that the public receive some protection from these powerful unions who have defied their own international union leaders and government officials in demanding and getting wage increases which bear no relation to productivity and which threaten to upset our national economy."

Suggested reforms

Mr. Naumann suggests that instead of weakening the Taft-Hartley Act, as H.R. 100 and S. 1487 would do, that it be strengthened in the following ways:

- Allow injunctions in cases of illegal, union jurisdictional disputes.
- Make unions responsible for racial discrimination practiced in their hiring halls.
- Hold unions responsible for agreements they make.
- Prevent construction unions from destroying multi-employer bargaining units.
- Banish product boycotts and limits on the use of prefabricated construction materials.
- Provide a remedy to stop featherbedding.

Why, Mr. Naumann asks, should a man be required by union rules to sit all day and watch an automatic pump or a compressor or a heater? Why are pile drivers and dockbuilders required at a job in the middle of a desert? Why is a foreman required to oversee a two-man job?

"You don't need them," he says, "but you have got them under union 'working rules,' which is the bane on featherbedding."

"Union rules which result in telling the owner, architect, contractor and public how they must build, who they must employ, how many must be employed and how much work may be performed are a drag on progress and efficiency, and in the end sap our economic strength."

END

REPRINTS of "Peaceful Plan to Clobber Business" may be obtained from Nation's Business, 1615 H St., N.W., Washington, D.C., 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.

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The New York Senator and former
Attorney General tells what's
wrong with federal regulation of
business and how to remedy it

ROBERT KENNEDY

We are properly concerned today about the rights of indigents, of those accused of crime, and of individuals suing and being sued in civil court cases. But we should also be concerned about federal administrative agency action against business, large and small.

The importance of these agencies in the day-to-day business affairs of American companies can hardly be overstated and may not be fully appreciated by the public.

And, despite giant strides in recent years in the quality of justice dispensed by these agencies, we still have not achieved the high degree of fundamental fairness to which business concerns are entitled.

People differ, of course, about what is fair. Administrators differ, just as businessmen do. In fact, one of the few times I have heard businessmen all of one voice on this subject was after the Big Steel price controversy of 1962, when they apparently agreed to a man that what this country needed most was a new Attorney General.

Today, there are some 55 to 60 federal administrative agencies with rule-making and adjudicative powers affecting private rights. Virtually every business in the country is subject, or potentially subject, to one or more of them.

Matters in dispute range from a few dollars or a single product to millions of dollars, thousands of em-

ON: GOVERNMENT INJUSTICE TO BUSINESS

ployees, dozens of mergers and huge stock offerings.

There are approximately twice as many agency hearing examiners as there are Federal District Court judges. And yet these agencies, despite their importance, remain what a Presidential committee called them almost 30 years ago, "a headless 'fourth branch' of the Government."

The progress made in recent years in improving agency processes has come about in part through internal, self-induced reform, in part by legislative edict and in part through pressures by the bar.

Since the passage of the Administrative Procedure Act 14 years ago, most agencies have been acutely aware of their own shortcomings and have instituted reforms.

The fact remains, however, that the law administered by these agencies is still not as fair, equitable and expeditious as we have a right to expect.

I here discuss only two aspects of needed reform, although many could be mentioned. The first is delay in adjudication, and the other is a more precise and universal application of the simple rules of ordinary justice that have long been enforced by our courts.

Too much delay

Delay is a relative factor. More than 48 hours to process the claim

of a veteran's widow may be too long, whereas 18 months to place in hearing the location of interstate pipelines might be so short a time as to prejudice the right of parties to intervene and to gather and present evidence.

But we can generalize about delay at least to this extent: The agencies take far too long to decide some cases. A couple of examples will suffice.

On June 16, 1952, the Federal Trade Commission issued a complaint against Pillsbury Mills, Inc. (now the Pillsbury Co.), charging it with violating Section 7 of the Clayton Act (the so-called "anti-merger" section) by its acquisition of Ballard & Ballard. The complaint was later amended to include a charge relating to the additional purchase of the Duff Baking Mix Co., a division of American Home Foods.

Hearings in the case began on Sept. 23, 1952. The Commission completed its direct case in January, 1953, and in April of that year the hearing examiner ruled that the Commission had failed to make a case.

This decision was reversed by the full Commission in December, 1953, and thereafter Pillsbury began putting on its evidence. This was not completed until June, 1957. Rebuttal hearings by the Commission ended in January, 1958.

In other words, it took almost six years for the case to be tried. By then, the testimony totaled more than 32,000 pages and exhibits accounted for many thousands more.

Thereafter, the FTC did not rule until Dec. 16, 1960, when it held that Pillsbury's acquisitions violated the Act. Years passed before both sides had designated the portions of the record to be printed, the printing had been completed and the case was ready for argument in the Fifth Circuit Court of Appeals.

The Court decided the case on Jan. 7, 1966, holding that Pillsbury had been denied a fair hearing because Congressional subcommittees had interrogated Commission members about the case before the Commission had reached the merits.

At this point, the Commission was faced with the decision of whether to take new evidence against Pillsbury, to review the outdated record again with new Commission members, to start all over or to dismiss the complaint.

It dismissed the complaint.

Thus, more than 13 years elapsed between the filing and the dismissal of this complaint. The substantive issues at stake in the case were never finally decided.

I do not pass judgment, of course, on the merits of this case, nor do I lay the blame for the delay at anyone's door. I merely point out that

GOVERNMENT INJUSTICE TO BUSINESS *continued*

no matter how complex, a case which takes 13 years to decide (and even then is not decided on the merits) is an example of the administrative process gone awry.

The Pennsy merger

A second example is the proceeding before the Interstate Commerce Commission involving the merger of the Pennsylvania Railroad Co. and the New York Central Railroad Co. The joint applications for merger were filed in that case on Mar. 9, 1962. Hearings lasted from August, 1962, until October, 1963, with a brief reopening for further testimony in September, 1964.

In all, there were 129 hearing days, 291 prepared statements, 450 witnesses, 20,051 pages of transcript (five million words) and approximately 20 bound volumes of additional exhibits.

The two hearing examiners ruled in favor of the merger on Mar. 29, 1965. The Commission did the same on Sept. 19, 1966, and subsequently ruled on petitions for rehearing. Applications for an injunction were filed in court by intervenors, and the case was recently remanded by the Supreme Court for further review by the ICC.

In other words, this important merger between two huge railroads has not finally been approved or disapproved more than four years after the applications were filed.

I certainly do not mean to imply that cases like this, which involve many parties, tremendously complex facts, and numerous legal issues, can be or should be decided overnight. Obviously, the development of a proper record for the adjudication of some cases necessarily takes a substantial amount of time. But just as obviously, businessmen are entitled not to have their cases bogged down in red tape, irrelevant facts, unnecessary haggling, and the like.

Fairness also an issue

Another area of concern is whether the agencies, even today, are being as fair and impartial in all their dealings with businessmen as simple justice requires.

We often hear that the agencies were designed to decide cases more informally than courts and that they are not strictly bound by the rules of evidence or other strictures enforced in a court of law.

This is partly true.

But an informality of procedure

can never serve as an excuse for the denial of basic rights. That is why it is important to restate certain truisms that should govern all agencies in the decision of cases.

1. A case should be decided only on the basis of a public record after all the facts have been presented. It should never be prejudged.

In an airline case a few years ago, the Civil Aeronautics Board issued an order instituting an investigation to determine whether two-carrier or three-carrier service between Seattle and Fairbanks would not be preferable to the then prevailing four-carrier service.

The result of such a decision would have been to terminate Pan American's certificate to serve the route.

In its order, the Board stated the issue to be whether certificates should not be terminated or amended "in accordance with the tentative conclusions set forth in the attached study."

Both the attached study and the ordering paragraph of the order itself included detailed recitals of facts, reasons and conclusions.

On review the court pointed out that, in effect, "The Board made an ex parte decision *in camera*, and then set hearings, giving an opportunity to the affected parties to show cause why the decision should not be carried into effect."

Such a procedure was illegal, said the court, for it is an "indispensable principle that a case must not be prejudged by the tribunal that is going to hear and decide it . . ."

2. Each case must be decided without bias, and the appearance as well as the fact of impartiality is essential to a fair result.

In a 1966 case, the court pointed out that the chairman of the Federal Trade Commission, prior to his appointment, had been chief counsel and staff director of the Senate subcommittee that had investigated the manufacture and sale of tetracycline.

While with the subcommittee, he had been responsible for statements to the effect that tetracycline prices quoted by various drug companies were artificially high and collusive and that there had been improprieties in the transfer of patent rights between two of these companies.

These same issues and same companies were subsequently involved in a case decided by the Federal

Trade Commission and participated in by the chairman.

Since the court concluded that the chairman had formed an opinion as to the facts before hearing the evidence in the Commission case, his participation in the decision constituted a denial of due process, even though his vote was not necessary for a majority.

The court remanded the case for a new hearing without the participation of the chairman.

3. Agencies should be relatively consistent in their rulings or at least prepared to explain why inconsistency is warranted.

A Federal Communications Commission case reflected a subsequent chapter in the well-known television scandal of 1960 involving rigged quiz shows. Two producers of these shows owned stock in WGMA, a radio station in Hollywood, Fla. As the result of a hearing to determine whether the station's license should be renewed, the examiner found that while the producers had engaged in censurable conduct, they had violated no law then in effect and WGMA itself had provided outstanding service.

Therefore, the examiner recommended renewal of the license.

The Federal Communications Commission reversed on the ground that the producers lacked the requisite character qualifications to be licensees.

It developed, however, that while the WGMA case was proceeding, the Commission was also considering applications for the renewal of operating licenses by the National Broadcasting Co., the network which had carried, and for a time owned, the same quiz shows involved in the WGMA case.

The examiner in the NBC proceeding found that the network had framed its conduct in regard to these shows in response to business necessity rather than public morality. Nevertheless, he too recommended renewal of NBC's licenses.

The Commission denied a request for reconsideration of its WGMA ruling.

One week later it affirmed the examiner in the NBC case and renewed NBC's licenses without any mention of the network's role in the deceptive quiz shows.

The Court of Appeals reversed and remanded the WGMA decision, pointing out that "the Commission's refusal at least to explain

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GOVERNMENT INJUSTICE

continued

its different treatment of [WGMA] and NBC was error."

4. Agencies should adopt reasonable standards by which parties can anticipate future action.

Several years ago, the Civil Aeronautics Board discontinued Eastern Airlines' service between New Haven and New York City, and further held that Allegheny Airlines' service to New Haven and Bridgeport should be consolidated at the Bridgeport airport.

The cities of New Haven and Stratford (where the Bridgeport airport was located) appealed. The Court of Appeals found that the Board had totally failed to develop standards by which interested parties could predict with any assurance what decision could be expected in such cases. The Board had also reached its decision "with prolific indifference" to its own earlier policy statement.

The court concluded that the Board had acted in an arbitrary and capricious manner.

5. Agencies should not use overly technical and unrealistic interpretations of rules and regulations in such a way as to destroy property rights.

An example is an Interstate Commerce Commission case involving several moving companies. The Commission issued an order which interpreted the term "household goods" in its rules. A group of motor carriers, each of which possessed a certificate of public convenience and necessity designating them as carriers of "household goods," brought a suit to enjoin the Commission on the ground that the traditional understanding in the industry of "household goods" had been substantially changed by the order, and the companies' property rights had been narrowed, without a hearing and therefore without due process of law.

The court agreed.

The court pointed out that the "interpretative" order required a change of dwelling of a householder or a change of location of a business establishment. This requirement was nonexistent prior to the order, and therefore the Commission had injected a new concept into the meaning of "household goods."

6. Each agency must allow the correction of errors or mistakes which

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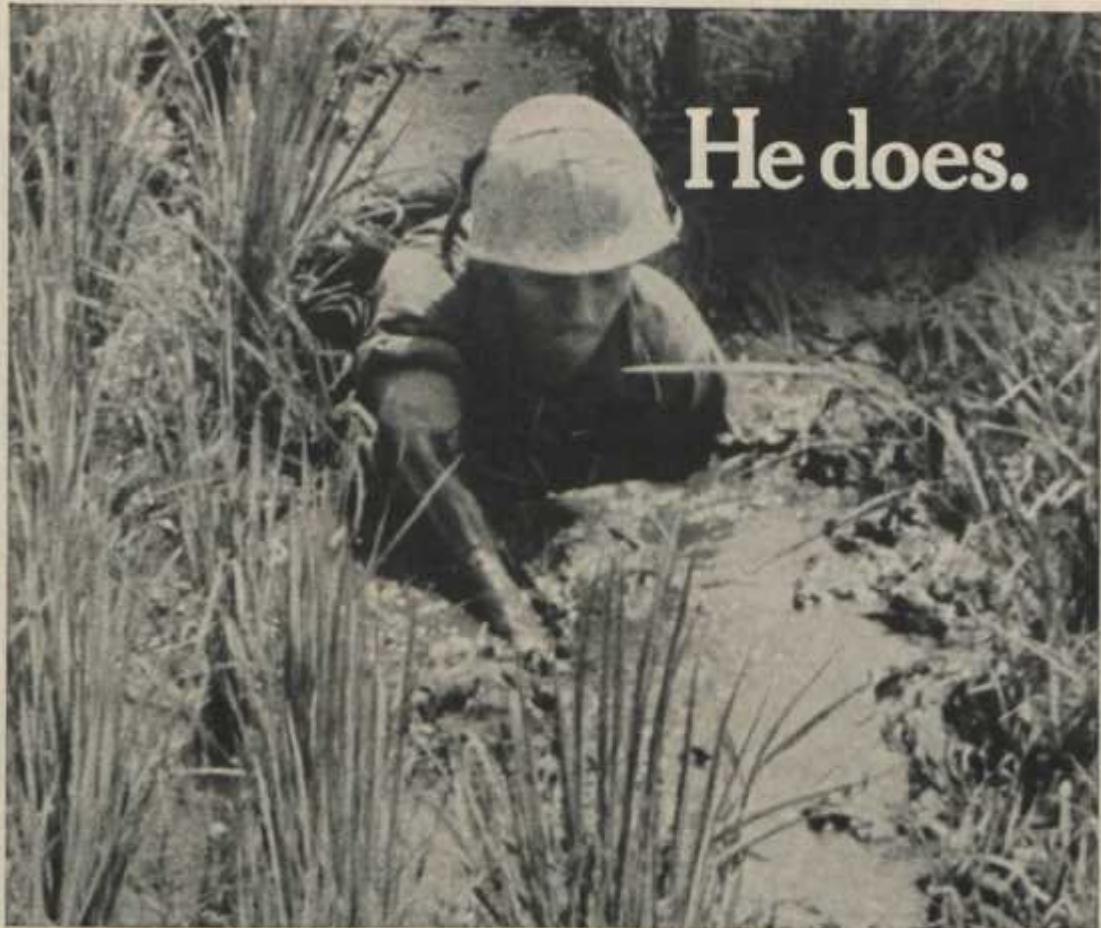
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GOVERNMENT INJUSTICE TO BUSINESS

continued

are not the fault of the party against whom they operate.

In 1960, Clark Tank Lines Co. applied to the Interstate Commerce Commission for a certificate to transport fertilizers between points in Washington and in interstate and foreign commerce.

The Williams Co., which already held such a certificate, indicated to the Commission by letter that it intended to oppose the application.

However, prior to the hearing, Clark's attorney called Williams' attorney and agreed to an amendment which would have the effect of eliminating Williams' interests in the proceeding.

As a result of this stipulation Williams was not represented at the hearing on Clark's application, and the examiner granted a portion of the authority requested, but not authority between points in Washington. Thereafter, the Commission, without notice to Williams, increased the authority recommended by the examiner to include transportation of fertilizers from and to points in Washington.

Williams did not learn of this development until it found Clark soliciting its shippers.

Williams promptly requested hearing as to the relevant facts, including whether the notice of the stipulation had actually been in conformity with the agreement between counsel. This petition was denied by the Commission without a hearing.

7. Such traditional rights and privileges as the attorney-client relationship should be carefully protected.

Not many years ago a Court of Appeals had to reject a contention by the Civil Aeronautics Board that documents exchanged between the Air Transport Association and its attorneys were nevertheless subject to production by subpoena. The court quite properly observed that "The very existence of the right of counsel necessitates the attorney-client privilege in order that a client and his attorney may communicate between themselves freely and confidentially."

Exceptions to rule

I want to emphasize that by the use of these few examples I do not mean to reflect in any way upon the over-all operation of the administrative agencies. These cases are, instead, exceptions to the high standard of fairness established by the

agencies themselves. The point is that as long as these exceptions do exist—as long as the agencies do have unmet problems—we should acknowledge them and attempt to improve the administrative process.

Actually, the vehicle by which many of these problems can be met and ameliorated is already at hand.

President Kennedy sent a "Special Message on Regulatory Agencies" to the Congress on Apr. 13, 1961. He announced an executive order calling for a conference of agency personnel, the bar and university faculties.

He said the conference would consider questions concerning the effective dispatch of agency business, "along with the desirability of making this conference, if it proves itself, a continuing body for the resolution of these varied and changing procedural problems."

The conference, which totaled some 75 members, studied and experimented, with the finest professional assistance procurable, for almost two years. It produced a recommendation as to how the delay, procedure and expense in administrative proceedings in government could best be attacked.

I was the President's executive agent in the venture, taking part in the preparation of the executive order and in the selection of the group's members. I believed in what the conference was trying to establish then, and I still do. In particular, I supported the creation of a permanent Administrative Conference so that a continuing effort could be made to solve these troublesome and frustrating agency problems.

Congress passed and President Johnson signed a bill in 1964 which established a permanent Administrative Conference. The Act pointed out that "the protection of public and private interests requires continuing attention to the administrative procedure of Federal agencies...."

The conference was to consist of not more than 91 and not fewer than 75 members, to be drawn not only from the agencies themselves but from outside sources. The conference would study administrative procedure, make recommendations to the individual agencies and also to the President, collect relevant information and see that the information was interchanged between agencies.

Perhaps most importantly, the

Act provided for the appointment of a full-time conference chairman, to serve for a five-year term.

Needed: a spark plug

The importance of this provision lies in the fact that at present, no one within government has an overall, continuing responsibility to see either that the agencies improve their own procedures or that improvements are imposed upon them. The agencies themselves, of course, are concerned about their own affairs; various Congressional committees exercise some degree of supervision; the President has the ultimate responsibility.

But no one man goes to work each morning with the single responsibility of strengthening the processes of all the agencies.

As yet, despite continuing and persistent efforts by the Administration, a suitable man has not been found to take on the important task of chairman of the Administrative Conference.

Yet the need for such an individual is as great now as when the Act was passed. For while the ombudsman of Norway, Sweden, Finland, Denmark, New Zealand and Britain may not be an appropriate innovation insofar as our agencies are concerned, there is no reason why we should not make a single official responsible for bringing about as many improvements as possible in administrative procedure.

The chairman of the Administrative Conference would seem to be the logical official to undertake such a task, especially since, under the Act, he can receive complaints and render reports on his own.

A permanent Administrative Conference undoubtedly will not be the only answer. The agencies are capable of much self-help. The rendering of advisory opinions by the Federal Trade Commission is the type of step in the right direction that does not require intergroup action.

But experience has also shown that without such a conference, many needed improvements will not be achieved.

It is well worth the effort, at least, because business, large and small, is entitled to the finest quasi-judicial mechanism we can devise to protect rights, expedite hearings and assure fair and equitable results.

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END

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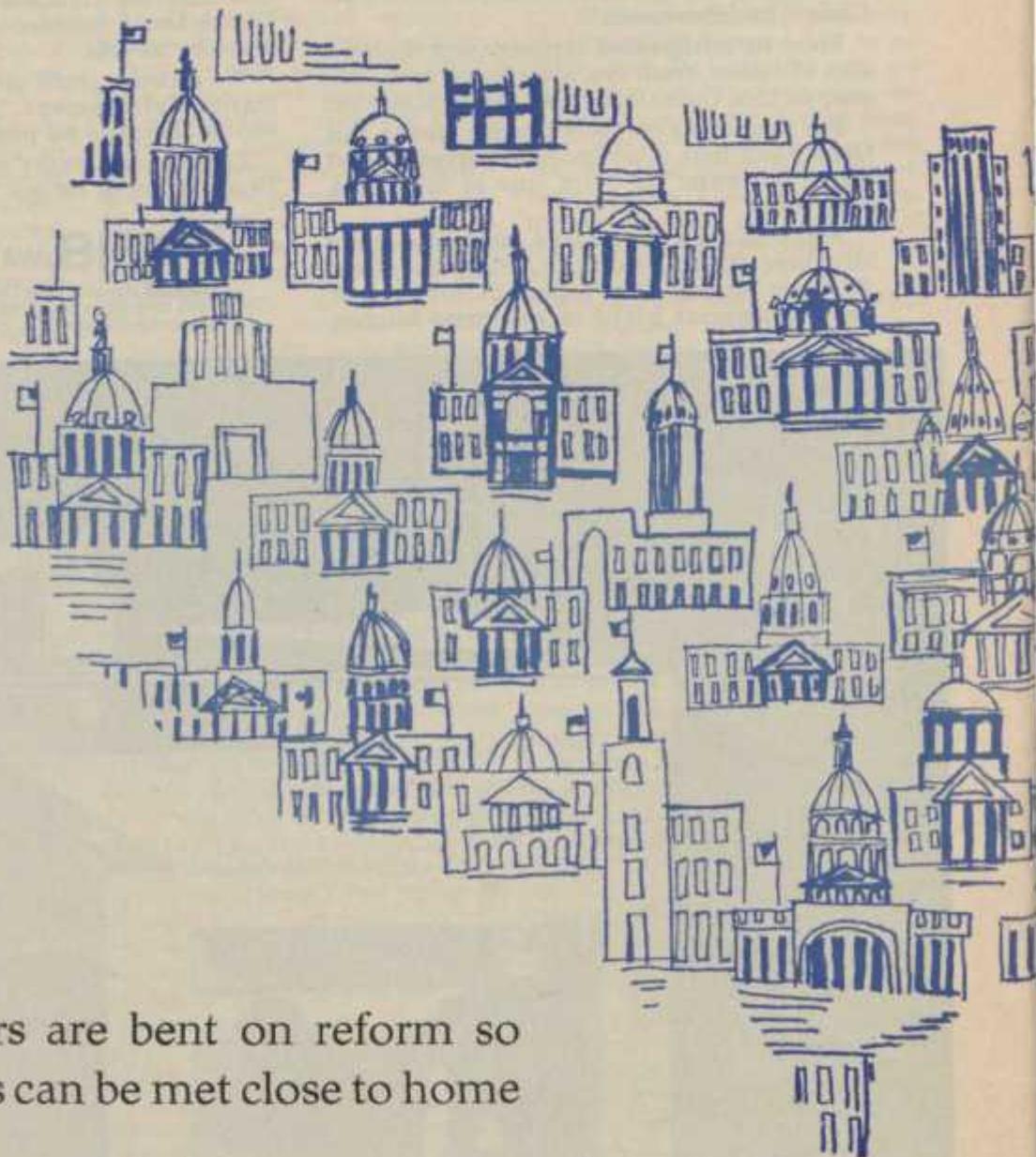
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THERE'S FERMENT IN THE



Legislators are bent on reform so problems can be met close to home

State legislatures, determined to survive as a vital force in government, are beginning to fight back.

Ill-staffed for the most part, long handicapped by archaic rules, poorly paid and caught between rising demands for services and shrinking sources of revenue, the lawmaking bodies of the 50 states have slowly seen their authority eroded by the federal government, and the growing power of the state executive branch.

"We receive the bones after the federal income tax," says Speaker John D. Vanderhoof of the Colorado

House of Representatives, looking at diminishing potential state revenue sources.

"Oregon is facing a property tax revolt," declares House Speaker F. F. Monte Montgomery. He blames the rising cost of local education, with the states expected to "pick up the tab."

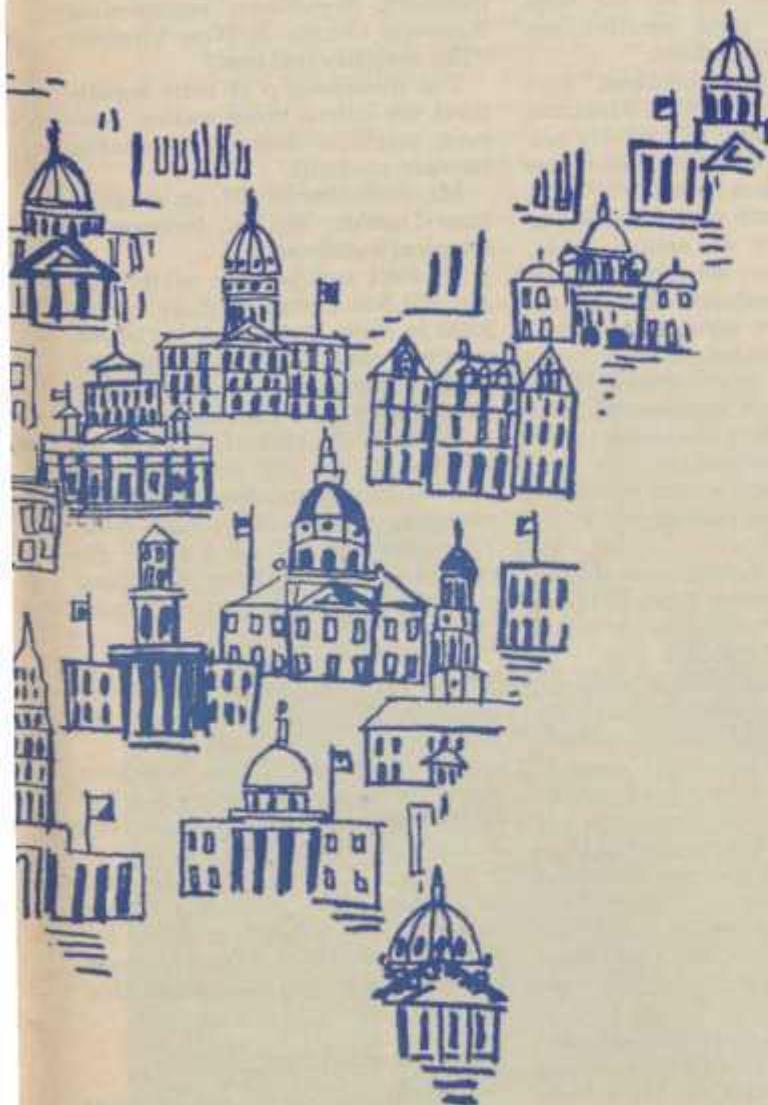
The plight of the state legislatures was noted with irony by Speaker Jesse Unruh of California's Assembly, who commented: "For years, state legislatures have been so neglected that this new wave of civic and scholarly involvement

with the problem may end up killing us with kindness."

Numerous surveys have been made or commissioned by various foundations to study the legislature's role in government. But one of the more significant steps legislatures have taken was to form the National Conference of State Legislative Leaders.

This bipartisan body has moved boldly to give the legislatures a practical forum for the sharing of ideas and, through the Eagleton Institute of Politics at Rutgers University, a means to do it on a con-

STATEHOUSE



tinuous basis. Speaker Unruh is a leading exponent of a return to strong legislative government.

Advocates strong state assembly

"No other governmental body deals more directly and continuously with the quality of life in America than the state legislature," he says. "In order for the legislature to survive, it must be aggressive. It must compete creatively with the governor and the federal government to meet the needs of the people."

Most top officials of legislatures

know that to be viable many of their procedures need changing. This process has already started or is contemplated in many states. The Chamber of Commerce of the United States has a continuing program to encourage state and local government reform.

But a survey by NATION'S BUSINESS of the Speakers of state legislative Houses shows the obstacles are many.

One put it this way:

"When you start talking about spending money on the tools for the legislature to do a proper job, or on

decent pay for a legislator, you find out what kind of image you have with your people. To put it crudely, 'it ain't very good.'"

A number of legislatures in recent years, however, have put the matter of legislative needs and reform squarely before the people—and with success.

The Washington State Legislature appointed a joint interim committee in the 1965 session to make a detailed study—with the help of a citizen advisory commission—and come up with recommendations. Many of these were introduced as prospective laws this year.

In a foreword in the committee's report, State Sen. Fred H. Dore declared:

"The Washington State Legislature is a relatively uninfluential, underpaid, overworked body, operating until this session without essentials—as private offices, adequate staffs and, in many cases, without secretaries.

"The business of the state of Washington is one and one-half billion dollars annually, largest in the state, but it is manned by a 150-man board of directors working only 60 days every two years. No private corporation could survive under similar circumstances."

"The states' legislatures must be upgraded," says Otis R. Bowen, Speaker of the Indiana House, "and be able to act to solve their problems rather than belatedly reacting to emergency situations and to other (federal) units of government after they have acted first."

"Unless this is done, the federal government will usurp more and more of the states' duties and responsibilities."

How it all began

Washington State's Dore report pointed to the federal grant-in-aid programs as a prime cause of erosion of state government powers.

"In the beginning it seemed like a windfall when the National Highway Act contributed \$90 to our \$10 to build interstate highways, and it seemed a small price to pay for the loss of our autonomy in this area.

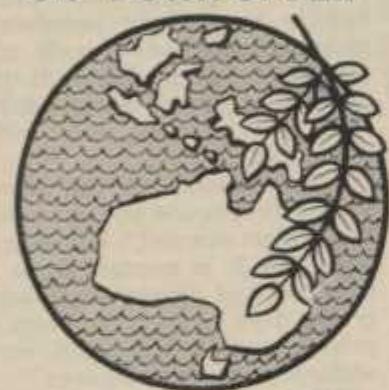
"Now we have medicare, the anti-poverty programs, federal aid to education and others . . . enacted by the Congress because the state legislature lacked the influence, time and ability to tackle these pressing social problems of our time."

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THERE'S FERMENT IN THE STATEHOUSE

continued

officials of legislatures. To change what most admit candidly has been a poor to awful public image, the Dore report said legislatures must meet long enough really to study problems and must be provided—as business is—with the modern aids to do the job.

Short sessions, set for the most part by aging state constitutions, are a universal complaint.

"Our most serious problem," says Speaker James R. Felt of Montana, "is the lack of time in a 60-day session to give thorough consideration to all of the issues presented."

More and more state legislatures are meeting on an annual basis, even if only for 30 days and on only budget matters. But many Speakers do not agree that annual sessions are the whole answer.

Many steps have already been taken by various legislatures in a constructive effort to solve state problems. These include:

- State technical assistance to local government debt management by Kentucky.
- Property tax reform and change by California, Connecticut, Indiana, Utah, Virginia and a broad state tax reform in Maryland.
- State regulation of the issuance of industrial development bonds by Maine.
- Authorization for local communities to contract with one another for performance of functions, as well as to develop metropolitan county and regional planning and development agencies. Iowa, Missouri, New Jersey, Oklahoma, Pennsylvania, Tennessee, Utah and West Virginia are among those that have taken this step.
- State aid for local sewage disposal and water supply facilities by Maryland, New Jersey, New York and Pennsylvania.
- Financial and technical assistance to local government by Illinois, New Hampshire, Oregon and Pennsylvania.
- Interstate compact for transportation planning by Connecticut-New Jersey-New York and Kansas-Missouri.

The majority of the state legislatures are keenly aware of the need for an attractive climate for business and the need to attract industry. Authorization for local communities to issue development bonds to buy land for plant sites and build facilities is widespread.

All of the Speakers replying to the NATION'S BUSINESS survey, ex-

cept California Speaker Unruh, listed adequate staff—for the members, for research, for committees—as probably the single most desperate need.

"The minority side didn't have a single staff aide this session," says State Sen. John Poffenbarger, a freshman Republican representing Kanawha County in West Virginia. "The majority had one."

The membership of state legislatures are a true cross section—lawyers, teachers, doctors, merchants, farmers, students.

Mr. Poffenbarger, 31, an attorney from Dunbar, W. Va., however, is a typical legislator.

"I don't run because of the salary [\$1,500 a year, but as low as \$200 in some states]. A lot of fellows who can't get home every night like I can during a session are pretty much in a bind on expenses.

"I think the biggest shock I got was finding out you just about had to keep your legislative career in a pasteboard box under your desk. Every senator did get a single file cabinet drawer for the first time this last session, so it wasn't quite that bad.

"But if a constituent comes to talk to you, you just don't have any place to do it, except out in the hall."

The average state legislator doesn't have an office when the legislature is in session, much less one in his home district.

"I keep my legislative files here in my law office," says Mr. Poffenbarger. "I suppose some of the fellows who are merchants and school-teachers keep what they think they need at home."

Disagree about cure

Legislatures are aware of what they must do to achieve what Speaker Unruh calls a "creative" role. But widespread dissent on how to go about this also is evident.

Many of the private studies made of the legislatures have singled out poor pay as a classic example of why legislatures aren't attracting or keeping dedicated legislators.

Many of the Speakers agree pay should be higher; some do not. Kenneth B. Lee, Speaker of the Pennsylvania House, says: "The most expensive economy a state can make is underpayment of its legislators. The adage 'you get what you pay for' is especially true in this area."

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THERE'S FERMENT IN THE STATEHOUSE

continued

of information for use by the legislative leaders.

"If a legislature is considering a certain tax, for instance," says Prof. Donald G. Herzberg, "it can come to us to see if any other state has tried it and how it worked."

Rep. Henry Reuss (D-Wisc.) has proposed a \$15 million, three year program of unearmarked federal grants to states which modernize their local and state governments. He would give each state a minimum of \$250,000 to cover the cost of preparing a program.

Some 18 states, however, are already in the process of contemplating revision of state constitutions, and certainly the legislative process would come under scrutiny.

Speaker Unruh argues that critics of aggressive efforts to make state legislatures a creative competitor in the governmental structure "fail to recognize that a strong legislature is essential to a strong state government. The legislature is simply not functioning as a legislature, if all it does is vote Yea or Nay on executive proposals.

"The legislature must be an originator of programs—counterproposals to those made by the executive. Then conflict and compromise can anneal these programs and help to insure their effectiveness after they are enacted."

"You've got to have staff if you're going to originate budgets of your own," adds Mr. Poffenbarger. "You've got to have time to go through a budget line by line and figure out where you could really save money."

The main problem: Money

Some 100,000 bills are introduced annually in the various legislatures. About 30,000 of these become law. Most, of course, are local in nature and affect only small segments of a state. Many affect every resident.

Probably the most pressing problem facing state legislatures is money: Where to get it, how to divide it up. Education, welfare, roads, state institutions are increasingly costly, even though state spending has gone up faster than federal outlays in recent years.

The concept of federal tax revenue sharing with the states is seen by some Speakers as one of the real answers to how to meet financial problems. One who hopes to see Congress enact revenue sharing legislation is Ralph Smith, Speaker of the Illinois General Assembly.

"Since the federal government takes such a large tax bite in federal taxes, there is not enough money left from readily available state sources to meet the expanding needs of state government," Speaker Smith says.

A legislator since 1955, Mr. Smith feels that with the additional revenue, there are a whole range of problems the states are better equipped to cope with than by federal funding.

The cost of maintaining state legislatures is estimated at less than one per cent of the state budget for 49 of the 50 states. But because many states are poor in revenue sources, legislators feel they cannot in conscience spend very much on themselves.

Legislators feel that the public doesn't really understand what state lawmakers face.

"A lot of people," says Mr. Poffenbarger, "just don't realize that the legislature can't simply pass a bill okaying a lot of money and that's the end of it. You've got to have the money or know where to get it."

"Some cities are running into the same kind of problems that states have when it comes to matching federal funds."

"It may not sound like a lot to raise your 20 per cent until you start looking at where you're going to get it."

Legislatures are caught in the same kind of bind that many school districts and municipalities are facing.

"I certainly agree it's getting more difficult to get people to approve bond issues or taxes," says the young attorney. "People are upset enough at the taxes coming out of their pay checks they can't do anything about, so they're not about to vote anything more on themselves."

All of the Speakers in the NATION'S BUSINESS survey showed awareness of the big job facing them.

"If we are to fulfil our role in establishing state policy for the years to come," says Speaker Richard W. Mallary of Vermont, "we must face all the major issues which face every government here in the mid-Twentieth Century. We have staggering responsibilities in education, natural resources, welfare and in the many other areas where government seems to impinge upon the lives of our citizens." END



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NERVOUS ABOUT THAT SPEECH?



Be prepared, plunge ahead

You needn't be, if you follow these practical hints on how to be a better speaker, by making your emotions work for you



Challenge your fear

DRAWINGS BY CHARLES DUNN

"Self-confidence is that wonderful, assured feeling you have—just before you fall flat on your face." That was how one of my new clients felt about public speaking. Oddly enough, he was confident in other speaking situations.

The pain and frustration connected with public speech is difficult to imagine by those who have never lived through the experience.

As a group, executives make brave attempts to conquer their speaking fears. Some succeed completely. Some appear to manage an outward calmness while suppressing inner tension, and some withdraw by refusing any promotion that requires public speaking.

There is a truism about speaking tensions: It only happens to the best people. Only the conscientious individual who is concerned about doing the perfect job suffers in anticipation of possible failure.

As Winston Churchill, himself an experienced speaker, once remarked, "The maxim 'nothing avails but perfection' may be spelled paralysis."

While I was working with Edward R. Murrow as a director on some of his CBS broadcasts, he once mentioned what was obvious—that he was always

STEPHEN S. PRICE, author of this article, is a consultant on management communication development, public speaking and broadcasting. The article is excerpted from his book, "Business Ideas: How To Create and Present Them," to be published this month by Harper & Row, Publishers © 1967 by Stephen S. Price.

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PITTSBURGH CLEVELAND	12	2 hrs. 45 min.	2.00	2.25	2.65
DALLAS SAN ANTONIO	11	7 hrs. 15 min.	2.10	2.40	2.70

*Other low rates up to 100 lbs. Less shipments, too.

One of a series of messages depicting another growing service of The Greyhound Corporation.



NERVOUS ABOUT THAT SPEECH? *continued*

tense before going on the air. He called it "the sweat of perfection."

Conscientious people feel less capable than they really are. The reason: There is a great disparity between the ideal self-image and that which is possible to accomplish. This criterion of self-evaluation makes any accomplishment seem small, and never good enough. It is a perfectionistic attitude which often inspires great deeds but also creates great frustration.

It is a false yardstick that depreciates any ability, however great. A review of past performances can sometimes bring a more realistic appraisal of what is expected and what is possible.

The circumstances and pressures that surround the speaking situation become a challenge to the ego.



We are anxious about possible failure; we are nervous even about being nervous. Our normal reaction to all fear is either flight or fight. When we are giving a talk, we know that we are not going to fight the audience, and we are too responsible to run away.

Nevertheless, our system is prepared for violent physical action. We must find a way to release this nervous energy in constructive expression. If we do not, it tends to perpetuate the symptoms and sensations that bring distress and discomfort to the speaker.

The speaking pressures and tensions are released because our nervous system believes we need them. It is as if we set off a false fire alarm, and now we are stuck with the apparatus—energy that is seeking an outlet. Once it is given an outlet, we can return to a relatively normal physiological rhythm.

First, remember that every experience is different. The dissimilarities are greater than the similarities.

What reminds us of the past is entirely different from the present. There are rarely, if ever, any situations in life which repeat themselves. There is always a difference: time, age, mood, audience, speaker, topic, results.

Next, we must remove the mystery labels of our feelings. Our feelings have no judgment. No matter how sophisticated we are, our feelings remain on "Primitive Standard Time." They respond when we need them, and when we *think* we need them. Poise and control comes with knowledge. The strange is fearful; the unknown brings apprehension. Conversely, with understanding comes control, with familiarity comes comfort.

Shattering a myth

One perfect example of how a psychological barrier kept people from accomplishment was the myth of the four-minute mile. For over a thousand years it was an accepted "fact" that it was humanly impossible to run a mile in less than four minutes. But in 1954 an Englishman, Roger Bannister, ran the mile in less than four minutes. Since that time, many other runners have run that mile and new records are being set.

Once we have understanding, we become selective and can choose to believe the reality and challenge the myth. We are then free to believe what is possible and to assume the attitude and the actions that help us change. We are ready to take on the outward manifestations attributed to a successful speaker.

There is a classic reference to this point written by William James: "Common sense says, we lose our fortune, are sorry and weep; we meet a bear, are frightened and run; we are insulted by a rival, are angry and strike . . . the more rational statement is that we feel sorry because we cry, angry because we strike, afraid because we tremble. . . .

"Everybody knows how panic is increased by flight, and how the giving way to the symptoms of grief or anger increases the passions themselves. . . . In rage, it is notorious how we 'work ourselves up' to a climax by repeated outbursts of expression. Refuse to express a passion and it dies. Count 10 before venting your anger, and its occasion seems ridiculous. Whistling to keep up courage is no mere figure of speech. On the other hand, sit all day in a moping posture, sigh, and reply to everything with a dismal voice, and your melancholy lingers.

"There is no more valuable precept in moral education than this . . . if we wish to conquer undesirable emotional tendencies in ourselves, we must assiduously, and in the first instance cold-bloodedly, go through the *outward movements* of those contrary dispositions which we prefer to cultivate. The reward of persistency will infallibly come, in the fading out of the sullenness or depression, and the advent of real cheerfulness and kindness in their stead. . . ."

How can this approach be applied to the speaker? Just recently I was called in to observe a speaker

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Practice every opportunity

NERVOUS ABOUT THAT SPEECH? *continued*

who was unusually lethargic in his speech and movements. He began with a molasses-paced, interminable walk to the speaker's stand. When he spoke, his pauses were so wide that the *Queen Mary* could have passed through with room to spare.

Since he was a comer for a top management position, his boss said to me, "He's a great marketing man, but as a speaker, he's a flop. The president wants him to do something about it."

When I interviewed the man, he admitted that he behaved as he did because he was very nervous about his speaking ability and wanted to hide it from the audience. He said, "I figured that if I could just slow myself down, I could lasso those shoo'up feelings."

He had another talk to give in two months, so we went to work. First I got him to understand how unreleased tensions can create the impression of rigidity and immobility. During practice sessions he learned to put his nervous steam to work. He became familiar with the techniques of alert gestures, accelerated speech rhythms, energetic movements and lively expressions.

During his next talk, he amazed everyone, including himself. From the moment he stood up and walked to the platform, he was like a man electrified. He packed so much power into his enthusiastic movements and energetic speech delivery that everyone in the auditorium sat up and took notice. Since he used visual aids in his talk, the microphone bothered him because he had to return to it every time. Like an old pro, he confidently pushed it aside. He noticed that the room was hot, took his coat off and invited everyone else to do the same. He swept through his presentation with an aliveness that people are still talking about.

Following the meeting, he said, "I know I was supposed to force the energy at first, until I got going. But for a minute, I didn't believe it would ever hap-

pen. Then when I saw them sit up and open their eyes—that's meat to a marketing man!"

When Eddie Rickenbacker was a guest on a radio program that I was directing, we dramatized an incident in his life story. He told of the time when at 26 he returned to a hero's welcome as the "Ace of Aces" of the Ninety-fourth Flying Squadron of which he was the commander in World War I. An important banquet was given in his honor. He stood up to a great ovation, opened his mouth to speak, and was terrified.

He mumbled a few phrases in poor grammar and sat down. He decided right there and then that this would never happen to him again. The next day he hired a coach to teach him how to speak, he asked Damon Runyon to write him a speech, he studied grammar and arranged for a long lecture tour (at \$1,000 a night) and thereby conquered his fear of speaking in public.

Mr. Rickenbacker learned that each specialty requires its own preparation. A hero in battle can be a coward at the banquet when he rises to speak, unless he is prepared.

If fear and tension do nothing else but stimulate the speaker to do his homework, they have performed their natural service.

Fear and tension should be considered a positive influence which sharpens our strategy so that we may do our best. We are always facing difficulties. We make progress by meeting the challenge and conquering our fears. In that way our emotions motivate greater effort—which invites growth and development.

Delivering a talk or a presentation does take time—time to prepare. Even the more experienced speaker, whether he admits it in public or not, profits from the perspiration of preparation.

Obviously, we cannot keep a secret from our nervous system. If our nerves are stirred up in anticipation of the event, they are more tranquilized by the very fact that we have done our best to make ready.

There is a military maxim which says, "When in doubt, attack." A prepared speaker never feels cor-



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NERVOUS ABOUT THAT SPEECH? *continued*

nered. Whatever doubts he may have are swept aside when he behaves with the impetus of a man who knows what he is doing.

It is this knowledge which displaces his doubts with more confidence.

Ways to reduce physical tensions

- Breathe in rhythm—slowly, deeply.
- Yawn several times.
- Gesture and move when possible.
- Relax throat, jaw, shoulders.
- Loosen arms.

Don't be perfect, just be good

Most successful executives aim for perfection. Yet they know that perfection is its own worst enemy. So they balance the situation, not with sloppy effort, but by coming down a few notches from their highest ideals.

They know that only a few people can swim the English Channel, but short of that, many can learn to swim expertly.

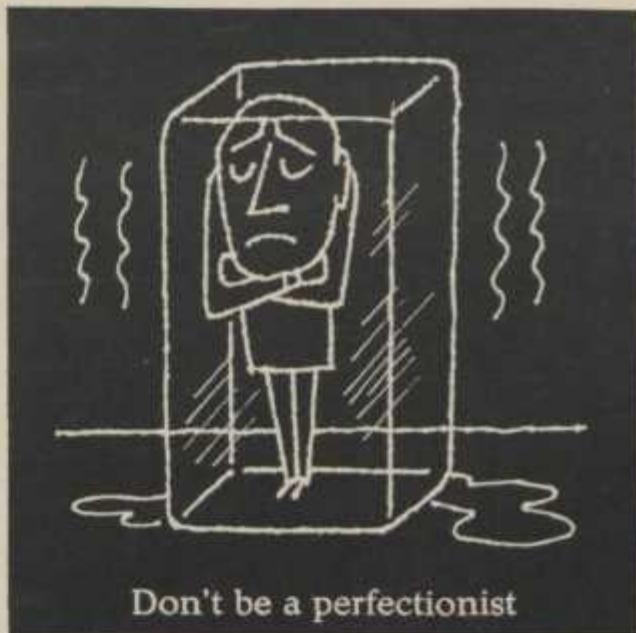
Perfection is a state of mind; it is never a reality. So the best we can do is the most we can ask of ourselves. We can always do better next time.

When Maj. Edward Bowes, who was famous as the originator of the "Original Amateur Hour" during the 1930's, made his first speech, he told of an experience which illustrates this point.

"When I first came to New York, Mark Twain gave a dinner in my honor. There were many distinguished guests, and he noticed that I was getting panicky.

"When he asked, 'You feel all right?' I said, 'Frankly, I'm scared to death. I know that I will have to speak soon, and I don't know if I'll be able to get out of my chair. When I stand up, my mind sits down!'

"An experienced public speaker, Mark Twain replied, 'It might help you, Eddie, if you keep one thing



Don't be a perfectionist

in mind. Just remember they don't expect much!'"

When a man discusses his stress in anticipation of making a presentation, more often than not he will define his fears with such words as "I just don't want to make a fool of myself." All I can tell him is that a fool doesn't go through all he is going through in trying to deliver a good talk.

If he has properly researched his topic and prepared himself in the best way he knows how, then he should be able to ride out any tensions, however unpredictable.

For the rest, he must have faith in his audience, knowing that they will appreciate his effort. With every important venture we run a risk—a risk of making fools of ourselves. And if, by earnestly performing as we do, we are labeled fools, then that's a chance we must take.

For it is that very courage to meet what comes that is written on the speaker's face and is respected by the listeners. Perhaps the first lesson of wisdom is to be willing to risk being taken for a fool—a conscientious, hard-working fool, of course.

Speak often, keep up the momentum

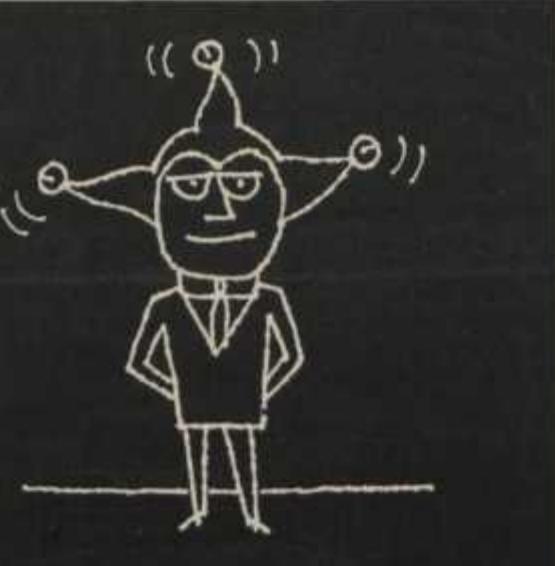
To gain confidence, take up the challenge to speak at every opportunity. In that way you can develop a new tolerance for the stresses and toughen your reactions as muscles are toughened by activity. We all have a marvelous capacity to adapt to the external environment. Use it; speak often.

Throw away all your fine excuses.

When it comes to public speaking and presentations, use as a verbal talisman the potent words of Robert Frost, "The only way around is through."

END

REPRINTS of "Nervous about That Speech?" may be obtained from NATION'S BUSINESS, 1615 H St. N. W., Washington, D. C., 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.



Risk being a fool

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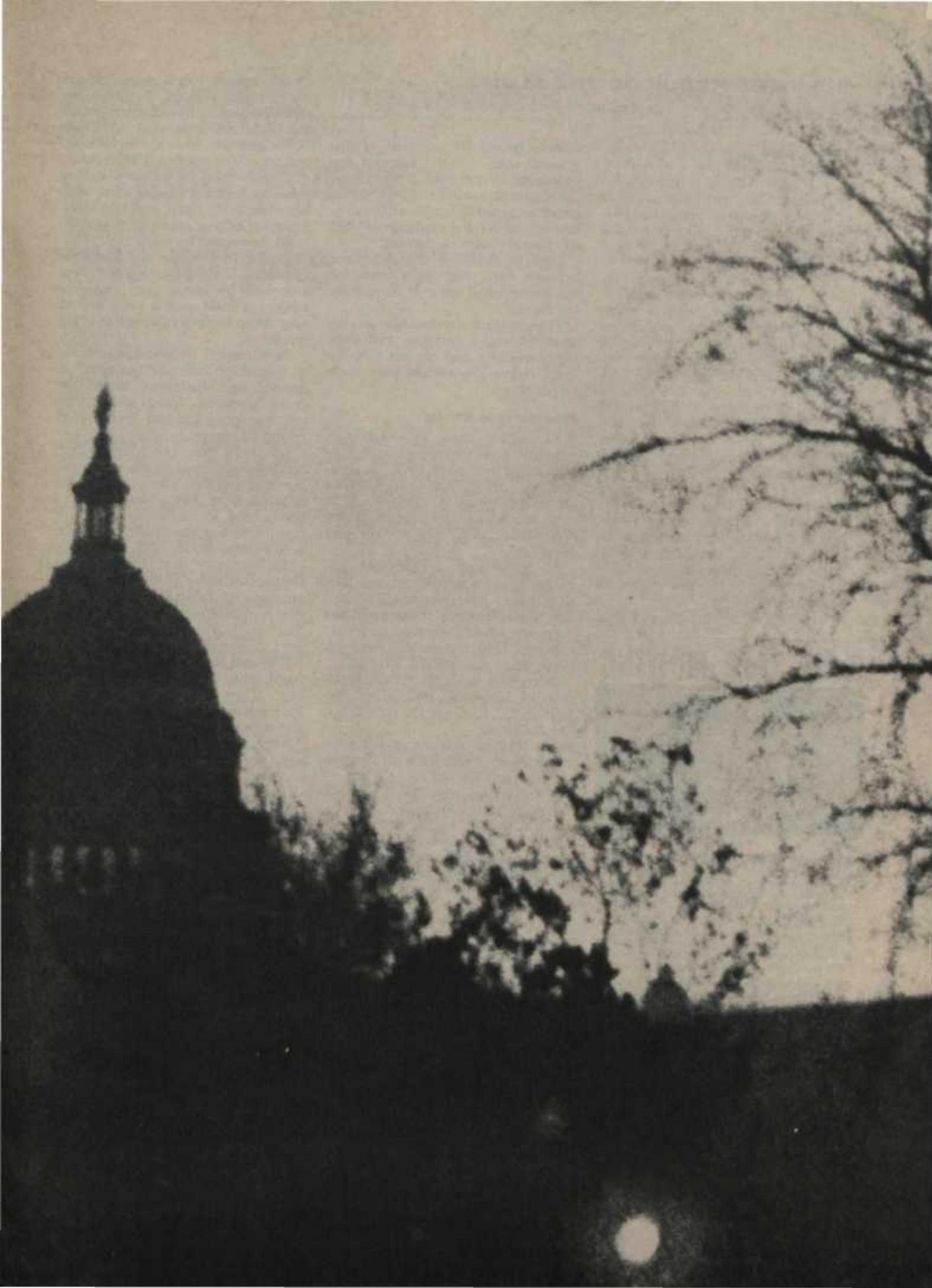
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BUSINESS REBUILDS THE SLUMS

continued from page 41

have pitched in to clean up slums.

Under Missouri law, a subsidiary of Hallmark Cards, headquartered in Kansas City, will have power of eminent domain in acquiring portions of a run-down, 85-acre tract it hopes to redevelop over 16 years at a cost of \$115 million.

The Hallmark project will include a skyscraper office building, terrace, garden and high-rise apartments, a hotel, motels, a cultural facility and convenience shopping facilities. It shows that a state condemnation law can work.

In St. Louis, the Bicentennial Civic Improvement Corp., headed by a board representing banking, real estate, construction and other businesses has been buying up rundown buildings for an average \$1,500 per dwelling unit and rehabilitating them for another \$5,000.

Financing arrangements provide, in effect, 100 per cent mortgages for the poor at six per cent over 15 years. Closing costs are about \$250, payments about \$70 per month on a \$7,000 dwelling.

Lending, by a savings and loan

association, is 80 per cent of appraised value. BCIC borrows the remaining 20 per cent from a local bank, sets it aside in a savings account as security until an equivalent amount of the mortgage is paid off, then recovers its deposit.

Cost to BCIC is the difference between bank borrowing costs for the deposit and interest earned by the deposit.

The program also includes a wide range of social services, including job placement, and creates jobs for local Negro contractors and their employees.

Pioneering in Harlem

Pioneering work in developing rehabilitation techniques and materials has been done by U. S. Gypsum Co., which has been working on six buildings in Harlem. It is now expanding the project to an entire block, and going elsewhere in New York.

U. S. Gypsum secures commitments from nonprofit groups that they'll take over renovated properties, then acquires them and does complete rehabilitation at corporate expense. The nonprofit groups acquire them under FHA 221(d)3.

According to J. H. Pintof, president of Roewack, Inc., a self-sustaining U. S. Gypsum subsidiary, the goals are:

- To interest builders in doing the same thing, hopefully with the parent company's products.

"If Roewack can do it, Mr. X can do it," is the idea.

- To conduct continuing experiments and time studies in rehabilitation techniques, using the latest management tools, in hopes of reducing work time from an average of three months to four weeks.
- To develop new products specifically designed for rehabilitation needs.

U. S. Gypsum has acquired six buildings in the Hough area of Cleveland and recently had a proposal awaiting FHA approval in Chicago. It also has been considering Philadelphia, Atlanta, Los Angeles (Watts), San Francisco, Oakland, New Orleans, Cincinnati, Detroit, Boston and St. Louis.

The American Plywood Association is going into Hough on the same basis to test suitability of its products. It hopes to take over a full two blocks if the property can be assembled.

Hough is also the site of a com-

pletely private effort by toolmakers Warner and Swasey Co., who are rehabilitating a 13-unit slum building. Total estimated cost: \$106,000. If the estimate is met, rents should remain at the current \$85 monthly.

The machine-tool firm also has joined a nonprofit corporation with Republic Steel Corp. and two other firms to help a separate neighborhood threatened by blight.

In Hartford, a Greater Hartford Housing Development Fund was launched by community business leaders a little over a year ago to spur improvement of housing at all levels.

Now funded by commitments of \$1.5 million from 26 business, financial and insurance firms, the group provides "seed money" to promote formation and operation of nonprofit groups.

Goals include new construction for low- and middle-income families and for the elderly, and some rehabilitation if practicable. Local banks have \$5 million available for construction, recoverable—as is the seed money—under FHA.

In Rochester, a group known as Better Rochester Living, Inc., is acquiring, rehabilitating and selling one- and two-family homes that cost \$10,000-\$11,000 each under six per cent, 25-year FHA financing.

Tenants in the \$4,000-\$6,000 income range rent, with an option to buy. They do rehabilitation work themselves, when possible, with pay and supervision by Better Rochester Living. They also receive counseling on credit and home maintenance.

Equally important is the effect on prospective tenants. More than 400 Rochester families have taken steps to improve their earning power and credit rating in hope of qualifying for the low-cost housing.

Roadblocks to progress

Experts say, however, the progress is limited by crippling delays and unrealistic credit standards in FHA, and the need for private lenders to sell mortgages to Federal National Mortgage Association for their "take out."

Obstacles to decent housing for low-income families that remain are the high cost of land and buildings, high union wages, costly construction practices (enforced by work rules and local codes), taxes, financing and availability of insurance (particularly in potential riot areas).

These barriers are also under heavy attack by business leaders.

END

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Counterfeiting booms

Funny money is no joke

A record number of counterfeiters have been trying to substitute phony money for some of the \$42 billion in U. S. currency and coin now in circulation.

Last year the Secret Service recovered \$9 million in bogus bills and in its annual report on counterfeiting warns, "There is no indication that this criminal activity will lessen" in 1967.

It traces the record rise in counterfeiting activity generally to the affluence of the nation and to the increase in the amount of money in circulation.

Complicating the monumental task the Secret Service has in guarding the integrity of the nation's currency is a curious fact: Though people worry plenty about money, they don't really look at the bills they carry in their wallets or receive in change.

"Storekeepers and cashiers who fail to examine money carefully or who cash checks without asking for proper identification from the holder are inviting their own losses," the

Secret Service warns. A spokesman for the agency says, "We've had instances where people have passed hand-drawn, counterfeit bills and also some really terribly poor imitations of the real McCoy."

To help businessmen become aware of the potential dangers of counterfeit money, the Secret Service has prepared a slide show which its field agents present to business and civic groups all over the nation.

Of the \$9 million in phony money recovered by the Secret Service last year, it seized 90 per cent before it could be put into circulation. This remarkable feat stems in part from cloak-and-dagger undercover work by the small band of agents.

But modern photographic and printing techniques have made it much easier for would-be counterfeiters to turn out bogus bills.

"The old-line counterfeiter, the master engraver, is gone," says a spokesman.

These old quick-buck artists were in such demand by criminal ele-

ments that a gang once devised a plot to kidnap the body of President Abraham Lincoln from its grave in Springfield, Ill., and use it as ransom to force the release from prison in 1876 of Ben Boyd, a notorious counterfeiter.

This plot failed in a rousing cemetery gun battle.

It was not until 1863 that the United States adopted a national currency, issuing notes commonly called "greenbacks." Before this, various banks printed our currency in hundreds of designs.

Even the greenbacks soon were being copied and dumped into circulation by counterfeiters in such quantity that the government finally created the Secret Service within the Treasury Department in 1865 and declared war against the counterfeiter.

To further help businessmen and their employees spot bogus bills, the Secret Service has prepared a "Know Your Money" booklet available from the Government Printing Office in Washington at 25 cents a copy.

One of the biggest assets of the counterfeiter is the casual manner in which the public treats money. Do you know whose picture is on a \$20 bill? Or a \$50?

If you said Alexander Hamilton on the \$20 and Thomas Jefferson on the \$50—you're wrong. They're on other bills. Jackson is on the \$20 bill, Grant on the \$50.

Some main points to keep in mind to spot phony money:

- The portrait appears lifeless and hairlines are not distinct.
- The saw-toothed points on the colored seal are usually uneven, blunt and broken off.
- The paper has no colored threads evident or has red and blue lines printed on the paper to simulate the threads interspersed in the real paper.

And you really should know this: If you end up with a counterfeit bill, it's your loss. And don't try to keep it—even as a souvenir.

That's against the law. Turn it in to the Secret Service or police.

END



Thousands of dollars and not a bill worth a plugged nickel. This is part of a cache which Secret Service seized before printers could circulate it.



WHAT YOUR PEOPLE SHOULD KNOW ABOUT OUR BUSINESS SYSTEM

Although it's a familiar story to you, many of your employees have only a foggy idea of how this powerful, efficient, private competitive system of ours works. To improve and broaden public understanding of our private business system, the Chamber of Commerce of the United States has developed a new study course.

It's called "Understanding Economics."

This article is the second of a series based on "Understanding Economics."

WHY THINGS

Here is the great puzzle of the modern market economy: Coordination of human efforts on the largest scale—and no apparent master plan. How is this possible?

Planning and decision-making are decentralized in the American business system. Nobody commands the whole system. But millions of different people—at many levels, in many business firms—manage their own individual parts of the system.

Clearly, we cannot say this represents "no plan." We see a great deal of planning going on in our economy. We know that a great many people take part in it. On the other hand, we don't have one over-all government-made plan,



PHOTO: DENNIS BLACK—BLACK STAR

COST WHAT THEY DO

either. Each businessman brought a supply of goods to market to meet the expected demand of his customers. Supply was created to meet demand.

What brings them into balance?

Ask this question of any businessman, and he will probably say, "The market." From his experience, he knows that he must compete with other firms in selling his products. This competition between sellers tends to push prices down. But if his products are attractive enough to buyers, and priced low enough, there will be a competition among buyers also, each seeking to get the best value for the money he spends.

If there is strong competition on

both sides of a market, among both buyers and sellers, we call it a competitive market. The forces of competition help push supply and demand into balance.

There are many kinds of markets. Some are local, like your neighborhood grocery store or drugstore. Some are regional, like the wholesale warehouses where farmers sell their produce to retailers. Some are national, like the New York Stock Exchange. Some are international, like the foreign exchange market in New York, which is really an "over-the-telephone" market connecting buyers and sellers ear to ear.

A market brings buyers and sellers together, by whatever means, to

make buying and selling decisions.

It also brings some order into the business of matching people's wants with what is produced.

So market competition brings about two results:

1. Prices are set.
2. Output is "rationed" among buyers.

Let's see how this happens.

If prices go up, buyers want less and suppliers offer more. If prices go down, the opposite happens—buyers want more and suppliers offer less.

These opposing tugs make it possible for the market to do its job—to match supply and demand.

Decentralized planning is possible

WHY THINGS COST WHAT THEY DO *continued*

in a market system because each market coordinates the innumerable business and consumer plans of many different buyers and sellers. It works constantly to bring their plans into balance and to make decentralized planning orderly and effective. This is the organizing principle of the enterprise system.

Markets are interconnected. Suppose that a livestock epidemic should reduce meat supplies in the areas also served by the fish market. Meat prices would rise and many housewives would switch from meat to fish purchases. In turn, fish prices would rise and fishermen would see an opportunity to earn better incomes. Their first steps would probably result in making more intensive use of their fishing boats. This might mean taking on new crews, additional fishing gear, more fuel and supplies, and so on. With these, they could intensify their fishing operations. Soon the new supplies of fish coming to market would increase, in response to the price rises.

This change in supply, by more intensive use of existing productive capacity, is typical of the short run period, as economists define it.

In the long run, existing productive capacity can also be changed. A firm may enlarge or reduce its scale of activities. It may invest in new plant or sell off or dismantle unprofitable existing facilities. But such changes would take longer than those needed to change the rate of production.

Broadly speaking, the shorter the time, the greater the influence of demand upon prices; and the longer the time, the greater the influence of supply. This is because suppliers' ability to match demand can be more fully changed in long, rather than in short periods.

How markets vary

Markets differ considerably in their size and makeup. Competitive forces operate differently in different kinds of markets. Technology and business size affect them. So do numbers of buyers and sellers, the geographic areas served, and transportation costs involved in getting goods to market.

New inventions and improvements in transportation have had a powerful effect in pushing down transport costs and increasing the speed and convenience of travel.

Travel itself, by offering consumers a wider access to alternative suppliers, helps to widen the area of

competition and numbers of competing suppliers—so helping to intensify competition.

Because the buyer in an advanced economic system is free to meet his needs in a variety of ways—choosing from a variety of goods and services—he has a greater power to make substitutions. So a lot of competition between substitutive goods and services goes on in an advanced economy.

The market for one product, as narrowly defined, is really part of a larger network of trade in which substitute products compete. Forces of supply and demand tend to operate on families of substitutable items. The meat market, in our earlier example, affected the market for fish.

The power of choice which this ability to substitute gives to both businessmen and their customers is not limited to substitutes available at a moment of time.

The processes of scientific discovery and their application to industry brings science itself into the development of new means of competition. The history of invention, in the parts of the world most affected by the industrial revolution, shows a rising tempo of new forces and new knowledge being harnessed to overcome man's age-old obstacles. Technology has allowed substitution of more for less efficient methods of production through time.

The changing makeup of man's wants, coupled with his increased understanding of techniques of production, make a mighty engine to drive the competitive forces of the market enterprise system.

The part government plays

Government does have a role to play. Government monetary policy must avoid the extremes of inflation or depression, allow the money supply enough flexibility to permit steady economic growth yet maintain the "worth" of promises stated in money terms, on which people base their future plans.

Government decisions about taxing and spending and how they affect the economy are called fiscal policy. Fiscal policy acts more directly on people's income and savings, as well as total spending in the economy, than any other kind of government economic policy. Yet it must aim to be consistent with monetary policy or the two may conflict. Other kinds of government action also affect market behavior.

Government support prices keep some agricultural commodities above free market levels.

Minimum-wage laws make it difficult for low-skilled young people to enter labor markets. If their worth to employers does not equal the legal wage minimum, they will not be hired—thus losing both income and the early job experience which would give them their start.

The great benefits of free markets are the disciplines of efficiency they achieve by voluntary action, and the resulting high productivity, whose fruits are widely distributed. Whenever we interfere with them, we restrict freedom itself. We also endanger the miracles of productive efficiency and technical advance which are so widely enjoyed by the American people.

In some markets, the businessman is the buyer or consumer.

Consumers rule the market

In organizing production to meet consumer demand, businessmen are guided by what consumers want. Businessmen must also try to keep costs down by using productive resources efficiently. To achieve these aims, they seek to minimize costs and maximize profits.

Clearly, if resource prices change, the least-cost combination also will change. It will pay businessmen to substitute lower-priced for higher-priced land or labor or capital whenever possible. Because this is so, businessmen are quick to adopt new methods and technology that consumers will or can be persuaded to accept, to alter the "mix" of capital and labor, to move to new locations, or to do what is needed to "meet competition."

Economic organization under the management of businessmen is a kind of productive resource. The older name for this is "entrepreneurship," meaning the supervision, innovation and risk-taking of businessmen in operating business organizations to supply people's wants.

Profits and interest

Profits, what is left to owners from earnings of a successful business after it pays other expenses, are the cost of innovation and enterprise.

Profits provide funds for expansion of wanted enterprise. Since successful firms attract this money, they can expand while losing firms must contract. What's more, the growing firms can afford to attract superior management, hire superior labor, seek out desirable locations and gain borrowed funds. As profits generate

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GOOD YEAR

WHY THINGS COST WHAT THEY DO *continued*

expansion funds, successful firms can invest in new tools and equipment, adopt new methods and thereby make efficiency gains.

In short, profits are the business and social cost of attracting enterprise to anticipate and provide for human needs. Profits are generated through a market process where technologies compete and are tested by market acceptance. Profits spur innovation, risk-taking and consumer service; they reward business drive, courage, and superior judgment; they increase the supply of adaptive businessmen and reduce the supply of custom-bound managers.

To the owners of borrowed capital, interest is income. To the business borrowers, it represents a cost. Those who get interest income from capital have an incentive to save. Savings rise with interest rates.

Those who borrow capital hope to earn a profit when they invest it in business. If profit rates rise, borrowing becomes more attractive, stimulating competition between borrowers for the available funds. This bids up interest rates. Higher rates, in turn, induce additional savings, increasing capital available for business investment.

But higher interest rates also raise business costs, making managers more cautious about further borrowing for investment purposes. Thus, demand and supply tend toward a balance.

Savings are transferred by legal instruments that show ownership or debt. Examples are bonds (including mortgages), stock and installment paper (notes payable). However, the essence of transferring savings into investment can be understood without all the complex detail involved in financial transactions.

Interest rates, acting mainly through financial markets, help transform savings into investment by balancing the rewards to suppliers of savings against the costs to those who demand them.

The function of interest rates, then, is to serve in markets as the price of capital. Like any other price, interest rates tend to balance the supply and demand in the market. In this case, the market is that in which savings are transferred to investment.

Labor, too, has its price

Man, the most important means of production, is also the chief ob-

ject of production. Man is far more than a mere commodity. Still, men and women rent out their services at a price, and labor is subject to demand, supply and price pressures for its allocation.

The percentage of people in the labor force is determined by the number who are able and willing to work and are looking for work. The size of the labor force varies with the business cycle, as good times pull people into active search for work and bad times reduce their number. A rising percentage of married women working, earlier retirement and longer educational programs also affect the size of the labor force.

Education and training set the minimum skills of the labor force.

Occupational mobility—moves upward in the job pyramid—are most important to the economy in the vital matter of matching skills to jobs.

Rent rewards the productive use of land and other resources in creating output. In agriculture, two leading causes of rent differences are soil fertility and nearness to markets. In cities, urban rents re-

flect locational advantages of access to product and resources markets, but involve a more complex interplay of business and institutional forces.

Wages (including salaries) reward personal services contributing to output. Wages form the largest single share of national income (some 70 to 80 per cent) and are the main source of income for most people.

Wage differences reflect skill differences, differences in demand for end products, and other aspects of labor's productivity, as valued by market forces.

Labor mobility promotes supply-demand adjustments, but institutional restrictions remain important in the modern world.

Together, the four classes of income shares—wages, rents, interest and profits—make up the income of society, the national income, which reflects the contribution of labor, land, capital and managerial enterprise to the output of the whole economy. The market system guides these resources into their highest-paying uses—somewhat short of perfection, to be sure, but far more perfectly than any other economic system.

END

WHERE AMERICA IS WINNING IN THE WORLD

continued from page 37

IRAN

In Iran this spring an old man died whose name no one could spell and few could pronounce. It was Mohammed Mossadegh (or Mossadique). He was called "Mossy" or "Weepy." He was premier in 1951-53.

Communists behind Mossy forced Parliament to nationalize the British-controlled oil industry and Britain broke diplomatic relations. The Shah fled to Switzerland, leaving the Soviets ecstatic. At this point British, American and Iranian royalist agents increased their work. Western military attachés became more active among brother Iranian officers. Word was passed to Moscow by Washington—which then had weapons' superiority—for the Soviets to keep to their borders. The day was saved.

Mossadegh was sentenced to three years for treason.

SOUTH KOREA

There is more cause for optimism than pessimism in South Korea. The people there are far better off than those living in the communist

YUGOSLAVIA

It is only a slight exaggeration to say that every day Yugoslavia becomes less communistic. Yugoslav enterprises, which are worker-owned and controlled, can now go into business with Western capitalists. Ten thousand private enterprises flourish. Farmlands have been returned to peasant ownership.

A quarter of a million Yugoslavs work abroad. There are no secret police. A faint outline of an opposition party is forming up. Yugoslav nuclear scientists work in the United States.

Yugoslavia is where communism clearly failed.

North. But 50,000 American troops are still stationed in Korea and the war is still not settled. Occasionally an American soldier is killed. There is still only an armistice agreement, despite the major military effort the United States and the UN launched 17 years ago in response to communist aggression.

But the communists learned from President Truman's firm stand that they cannot pick off small nations one by one. South Viet Nam confirms this further.

MALAYSIA

The Soviets decided at a Calcutta meeting in 1948 to pull the plug on Southeast Asia. Early discussions on South Korea and Viet Nam were held at the same meeting.

Malayan communists said they could chase the British out and that the remainder of the area would fall to the East.

They could not have been more wrong.

Reds made hit and run attacks on rubber plantations and tin mines. Planters and pro-British natives were murdered. But nearly all area governing bodies remained appreciative of British help and no leftist movement developed.

GUATEMALA

Next on the calendar of attempted communist take-overs comes Guatemala, where the CIA came into its own.

Jacobo Arbenz Guzman turned the country into a communist state in the early 1950's and the CIA's instrument of retaliation was rightist Col. Carlos Castillo-Armas. He was sprung from an Arbenz jail, helped out of the country, assisted in putting together a 500-man army, given two P-51's and the use of a radio transmitter (neatly located in a friendly embassy). Col. Castillo-Armas marched back in 1954, threw Arbenz out and since then Guatemala has been partially defused.

Two groups of communist guerillas are now in the hills and a far rightist group is in the cities. They are on collision course and serious troubles may develop.

But, at least, Guatemala is no longer communist ruled.

IRAQ

Secretary of State John Foster Dulles spent the mid-1950's lining



Ghana, weary of President Nkrumah's flirtation with communists, ousted him. Here children frolic on statue of once deified leader.



Brazilians celebrate after their country is freed from the Red-leaning regime of President Joao Goulart by a military revolt.

Col. Joseph Mobutu, here with Belgian adviser, survived Red-fomented strife in Congo to become President of that country.



Riots and coups d'état marked the return route as nations turned from Moscow toward the West



PHOTO: UPI

Communism finally lost its foothold in Iran but only after the overthrow of Premier Mossadegh and his arrest for treason.

Ex-Brig. Gen. Supardjo, an admitted leader of communist plot to seize power in Indonesia, hears charges read at a military trial.

PHOTO: BLACK STAR



WHERE AMERICA IS WINNING IN THE WORLD

continued

up friends and building diplomatic and missile fences around the Soviet Union. In the Middle East he forced the pace and two of the West's best friends were murdered.

Premier Nuri as Said and King Faisal II went along with most of what Dulles proposed, but their followers would not. The two were killed by followers of Gen. Abdul Karim Kassim who quickly made a mess of everything. He practically handed suzerainty to the Soviets, wasted \$400 million a year in oil royalties and failed to build urgently needed pipelines.

In 1963 he, too, was murdered. Did the plotters get Western help? It would be hard to convince old Middle East hands they did not.

Iraq has swung slightly westward. Several years will be needed to water down Marxist sentiment at Baghdad University and among newspaper editors.

But Iraq is unique in that here Arabs first learned that communists are not 10 feet tall and that they do not always deliver what they promise.

CEYLON

"Communist" is sometimes a relative word, like "left" or "right." Its meaning depends on sentiments of the user. In the case of Ceylon only one permutation of the communist movement was involved—the Trotskyites.

Ceylon swung left under Premier Bandaranaike and he was assassinated in 1959. Sirimavo, his charming but not brilliant wife, took over the government in 1960 with her Trotskyite-Buddhist following.

The country drifted toward economic ruin. Western oil properties were nationalized and the free press threatened.

Two years ago Buddhists pulled from behind Mrs. Bandaranaike and Dudley Senanayake came back to power. He is popular in London where many of Ceylon's financial and political problems are handled.

Nationalization compensation is being paid to Caltex, Esso and Shell and the government is trying to attract Canadian and U. S. investment and World Bank loans.

CONGO

A big roll of the communist dice came in the Congo but the Reds could not make their point.

Red embassies were turned into command posts. Moscow and Pe-

king operators poured in. Money was lavished. Premier Patrice Lumumba behaved as communists wanted him to. The United States lined up alternatives to Lumumba.

Blunting the Red drive were UN troops, mercenary soldiers of the West, assassinations, money, tribal ties, quick courses in democratic behavior for natives who never heard of the UN or of voting.

The Congo remains a political wilderness, but most communists have gone home.

GUINEA

Besides problems of poverty, ignorance and lack of initiative, Guinea is hampered by its leader, President Sékou Touré. He began adult life as a union organizer and admirer of things Russian. When the French left in 1958 he turned Guinea into a Russian colony.

After a time Touré cooled his ardour for Russians, accusing them of meddling in his affairs. Many Russians were sent packing. Recently the Russians have been trying to patch things up.

GHANA

When President Kwame Nkrumah was deposed last year, there was no protest. That's the sad story of Dr. Nkrumah, an American-educated man of charm, intellect and leadership skills who confused himself with God.

SCORING KEY

(Answers to questions on pages 42 and 43)

1. F
2. T
3. T
4. T
5. T
6. F (May 17, 1792. The New York Stock Exchange celebrates its one hundred and seventy-fifth birthday this year.)
7. T
8. T
9. F (Yield to the investor is 10 per cent.)
10. b
11. a
12. c
13. a
14. c
15. c
16. c
17. b
18. d
19. c
20. d

The British gave Ghana independence in 1957 and left behind a working civil service, legal system, efficient army and viable economy. Nkrumah soon spent the country poor. He created a swollen bureaucracy, opened the gates for Moscow agents, set up sabotage academies at Mankpong and Half Assini where agents trained to overthrow Ghana's allies; he rigged the courts and press, created a secret police and killed off his political opposition.

When the West would have no more of it and when his fellow Africans turned on him, he began relying heavily on the Red Chinese. He was in Peking in 1966 when a military coup overthrew him. He now lives in Guinea and plots against Ghana.

CHILE

More than \$1 billion are invested in Chile by U. S. companies, mostly in copper. And, if anyone thinks the United States will sit on its hands while a Marxist is elected President of Chile, he is wrong.

There is little fondness in Chile for the United States and so the United States played it quiet two years ago when Eduardo Frei Montalva contested the presidency with a far leftist, Dr. Salvador Allende. Frei himself is leftist and it was a choice between the far and near left. Frei got the nod from the north.

Frei won. His program to "Chileanize" American-owned copper mines is moderate and generally acceptable. U. S. firms are left in charge of mines and in positions of majority owners.

Lately Frei has had stormy political times, but he remains afloat.

GUYANA

Cheddi Jagan was intermittently Premier and his wife, Janet, Chief Trouble Maker for British Guiana—now called Guyana—between 1953 and 1964. They appreciated Fidel Castro, the Soviets and Red Chinese, and they hated the British and Americans.

During their reign there were bloody strikes and fights involving Indians, Negroes, Portuguese and whites. Murder was commonplace. Thirty houses a night were burned.

Britain wanted to get out of Guyana but the United States—fearing another Cuba—insisted that Britain hold on. By instituting proportional representation, the British cut away Cheddi's parliamentary majority.

Into his place went Forbes Burnham, a Negro who is a friend of the

United States and Britain. Guyana is still a troubled land. Burnham is not a democrat on the Jeffersonian scale. But the place is improving.

INDONESIA

Most men will settle for a yacht. President Sukarno insisted on a navy.

Before his downfall in 1965, he used most of Indonesia's few remaining dollars to buy a cruiser from the Soviet Union. On ceremonial occasions the ship would steam past Sukarno's reviewing stand at Surabaya Navy Yard. As Sukarno led Indonesia closer to economic ruin, the cruiser would be towed by. As money became more scarce, she would be anchored so that Sukarno could still gaze upon her. He kept only one side of her painted—the side facing himself.

On Sept. 30-Oct. 1, 1965, he approved a communist take-over but instead he was deposed. Before the communists could act, Indonesian generals took the government. Within days 500,000 communists were

killed and the party was shattered.

Sukarno is now in disgrace and Indonesia is in the worst condition of any of the 15 nations which turned to the left. It will take a decade for Indonesia to recover from Sukarno, "The Savior," and from the communists.

BRAZIL

Joao Goulart was fond of beating his wife, one of the world's most beautiful First Ladies.

On one occasion he cracked her jaw, so she left for Switzerland for repairs. Goulart, then Brazilian vice president, took off for one of his favorite towns, Peking.

It was while the two were separated, on Aug. 25, 1961, that President Janio Quadros had a breakdown, quit the presidency and left for a world tour. Goulart, suddenly the president, raced back to Rio. His wife dashed back also.

Goulart roundly disliked the United States and the representative system of government. He preferred communists. "Reforms" he asked for soon began sounding

Marxist. International communist organizations gleefully chose Brazil as their favorite new site for meetings.

In industry strikes increased. Unrest spread. The always sickly Brazilian economy began gasping. Expropriation decrees were issued and business became more nervous.

In March, 1964, Goulart publicly urged noncommissioned Army officers and privates to disobey their officers. This was a blunder of the first rank. It struck at military discipline and army chiefs laid plans for a military coup.

Brazil now has a mild, self-perpetuating military dictatorship which may be the most suitable type of government for the time being.

Some progress has been made by "The Generals" in slowing inflation, cutting overloaded government payrolls, attacking urban problems, producing more food and upgrading education.

But the degree of improvement is generally considered inadequate to stave off future trouble. END

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Ronalds-Reynolds & Co., Montreal		Treasury Department U. S. Savings Bonds Div.	
Marine Midland Corp. Batten, Barton, Durstine & Osborn, Inc., New York		Varco Steel, Inc. James H. Faulkner & Associates, Pine Bluff	
Old Ben Coal Corp. The Griswold Ishleman Co., Chicago		Walker/Parkersburg Division of Textron	
Southern Airways Harris & Weinstein Associates, Inc., Atlanta		Fahigren & Associates, Inc.	

Washington, D C 20006

DATE May 12, 1967

TO: LII WO ER PW

SUBJECT: Regional Advertisements
June 1967 edition

There will be 13 regional advertisements in the June 1967 issue, affecting 6 pages of the issue and effecting 23 regional issues.

1.

Region A: Southern Airways--18-state region (page)

Alabama	Indiana	Mississippi
Dolaware	Kentucky	South Carolina
District of Columbia	Maryland	Tennessee
Florida	Michigan	Virginia
Georgia	North Carolina	West Virginia
Illinois	Ohio	Wisconsin

Region B: Marine Midland Corp.--9-state region (page)

Connecticut	New Hampshire	Pennsylvania
Maine	New Jersey	Rhode Island
Massachusetts	New York	Vermont

Region C: Bank of America--1-state region (page)

California

Region D: Delta Steel Buildings Co.--1-state region (page)

Texas

Region E: Association of Industrial Advertisers--22-state region (page)

Remainder of states not listed in regions A, B, C and D.

2.

Region F: American Trucking Association, Inc.--17-state region (page)

Alabama	Louisiana	South Carolina
Arkansas	Maryland	Tennessee
Delaware	Mississippi	Texas
Florida	North Carolina	West Virginia
Georgia	Oklahoma	Virginia
Kentucky	Pennsylvania	

DATE May 12, 1967

TO:

SUBJECT: Regionals June edition page 2

Region G: Old Ben Coal Corp.—7-state region (page)

Illinois	Michigan	Wisconsin
Indiana	Missouri	
Iowa	New York	

Region H: Wheeling/Parkersburg—1-state region (page)

Ohio

Region I: U. S. Savings Bonds—26-state region (page)

Remainder of states not listed in regions F and G, and H.

3.

Region J: General Acceptance Corp.—10-state region (2/3 page)

Florida	Michigan	Ohio
Georgia	New Jersey	Pennsylvania
Illinois	New York	Wisconsin
Indiana		

Region K: Text—41-state region, remainder of states not listed in region J.

4.

Region L: American Electric Power—20-state region (page)

Connecticut	Maryland	Ohio
Delaware	Massachusetts	Pennsylvania
District of Columbia	Michigan	Rhode Island
Illinois	New Hampshire	Tennessee
Indiana	New Jersey	Virginia
Kentucky	New York	Vermont
Maine		West Virginia

Region M: Text—31-state region, remainder of states not listed in region L.

5.

Region N: Varco Steel—36-state region (page)

Alabama	Florida	Iowa
Arkansas	Georgia	Kansas
Connecticut	Illinois	Kentucky
Delaware	Indiana	Louisiana

continued

DATE May 12, 1967

SUBJECT: Regional ads, June edition page 3

TO:

Region II continued:

Maine	New Hampshire	Rhode Island
Maryland	New Jersey	South Carolina
Massachusetts	New York	Tennessee
Michigan	North Carolina	Texas
Minnesota	North Dakota	Vermont
Mississippi	Ohio	Virginia
Missouri	Oklahoma	West Virginia
Nebraska	Pennsylvania	Wisconsin

Region O: Text--15-state region, remainder of states not listed in region N.

6.

Region P: Kaar Electronics--11-page region (2/3 page)

California	Massachusetts	Rhode Island
Connecticut	Michigan	Texas
Florida	Missouri	Washington
Illinois	New Jersey	Wisconsin
Louisiana	New York	

Region Q: Text--37-state region, remainder of states not listed in region P.

Cora Lorna

Can Red Guards succeed on U. S. campuses?

BY JEFFREY ST. JOHN

The anti-Viet Nam movement among America's youth distorts the real discontent students feel.

This is so despite the noisy rallies this spring and new protests planned this summer by leftist, pro-communist and fellow-traveling students.

It appears that some elements of the U. S. mass media have been indiscriminate in reporting the Viet Nam peace protesters. Highly vocal elements have made their numbers appear to be far greater than they really are. All, or almost all, of America's young are viewed as angry and alienated from American society.

My research shows that the campus Red Guards represent a small minority amid a silent, but concerned, majority of young Americans.

What American students seek from American society is a redefining of traditional truths that will serve them in their own time. And, most important, a philosophy of life that will give a greater freedom to their own individuality and allow them to achieve some sense of purpose and mission in American society.

On the practical side, the majority of students are too busy with their academic work load and a non-political social life to take part in demonstrations.

Finally, the students I have contacted do not find protest movements the best means of expressing their

own individuality. It is this individuality that concerns so many of the campus youth today. They reject the radicalism of the left and even what some believe to be the conformity of modern corporate life.

It is true that efforts to counteract the trend toward left-wing radicalism on U. S. college campuses have not been great successes so far. There are several reasons for this.

The Young Americans for Freedom, for example, have yet to find a formula or a leader to tap the enormous energy and enthusiasm that exists among state leaders and chapter chairmen.

Other little-noticed factors that thwart counter-measures may be even more important:

First, some students think they are being modern and liberal to be against the war even though many of them lack a full understanding of the issues involved.

Second, some students prefer silence to the present unpopularity of taking what might become a publicized stand for the Viet Nam War.

Third, many students with whom I have talked express fear that their more liberal professors may flunk them if their true political feelings are known.

Up until now the philosophy of individualism—very much a part of free market principles—has not been translated or communicated to this younger generation as well as it should be.

The writer Ayn Rand has been one of the few intellectuals who has sought to do so, with some success. Her works in recent years have shown a marked increase in popularity on college campuses. (This will be the subject of next month's column.)

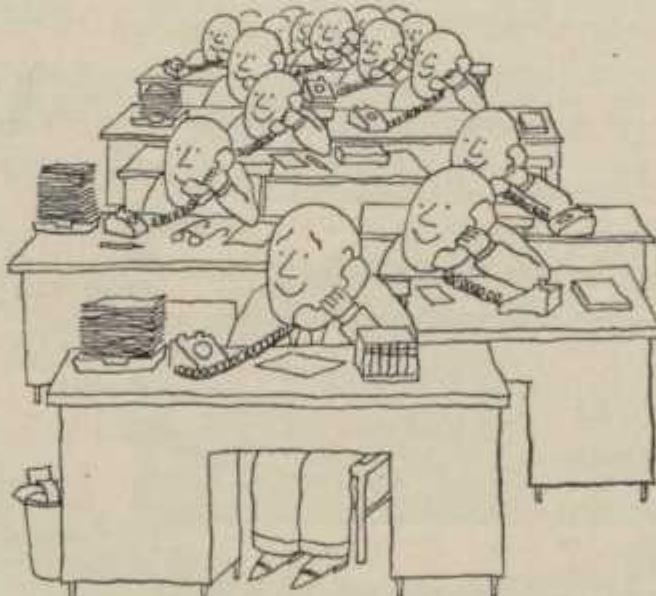
But for now, the Red Guards have enjoyed great success. College radicals represent a real threat, despite their small number and minority status. However, if they represent a peril with their prescription for anarchy, campuses also provide a challenge and opportunity for the forces of positive achievement to present a comparison and alternatives.



Mr. St. John is a journalist and newscaster particularly attuned to young Americans as a consultant to the Research Institute of America now engaged in a study of youth attitudes. Beginning with this issue, his column will appear regularly in NATION'S BUSINESS.

R. F. Nikkel Lumber Co. increased its sales by 40 percent

It all stems from good connections



Says owner Bob Nikkel: "When we started our lumber business in 1955, we used personal contact selling.

"But as we developed customers over the entire country our sales staff couldn't possibly contact them personally as often as they should.

"After a short flirtation with branch offices, we centralized things here in Sacramento, and began relying on an organized telephone selling program.

"Sales went up 40 percent the first year of our telephone selling program.

"Each of our 11 salesmen spends some time in the field every year.

"But after a couple of weeks on the road, they like to get back on the phone."

Like R. F. Nikkel Lumber Co., your company can save time and make more sales by using Phone Power on a planned, organized basis. Let one of our Bell System Communications Consultants show you how.

Just call your Bell Telephone Business Office and ask for his services.



WHAT'S IN A NAME? Does it mean the real thing?

BUYERS BEWARE

The new law that regulates packaging and labeling goes into effect next month.

No longer will consumers be lured by such descriptions as "jumbo" size.

But Congressional concern for misleading labeling didn't extend to the law itself. It's called the Fair Labeling and Packaging Act, even though some people don't think it's fair at all.

So, when it comes to politics, consumers still have to watch out for the "jumbo" size promise that every package from Washington will contain what's advertised.

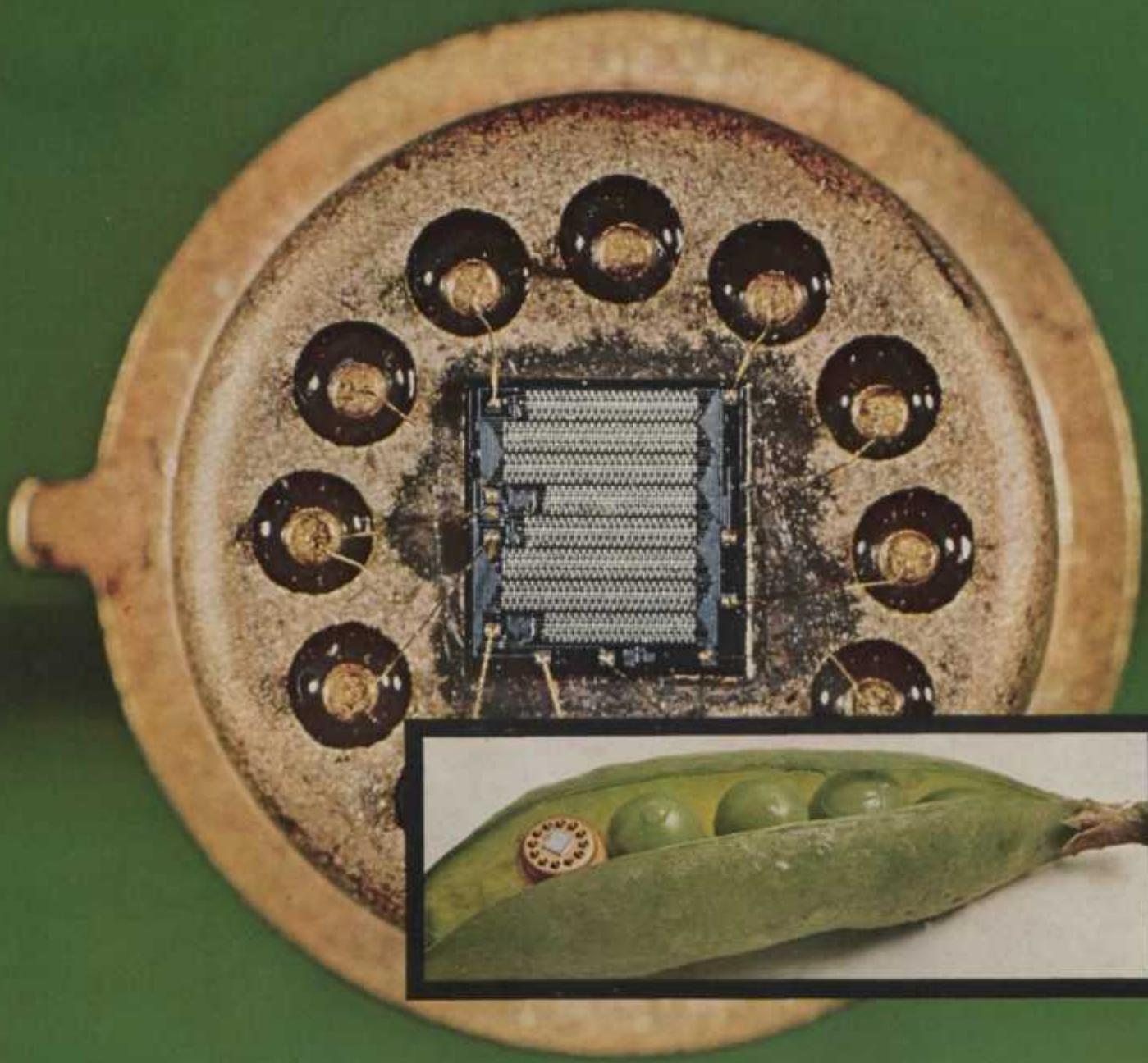
Nation's Business



June 1967

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/ in microelectronics

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